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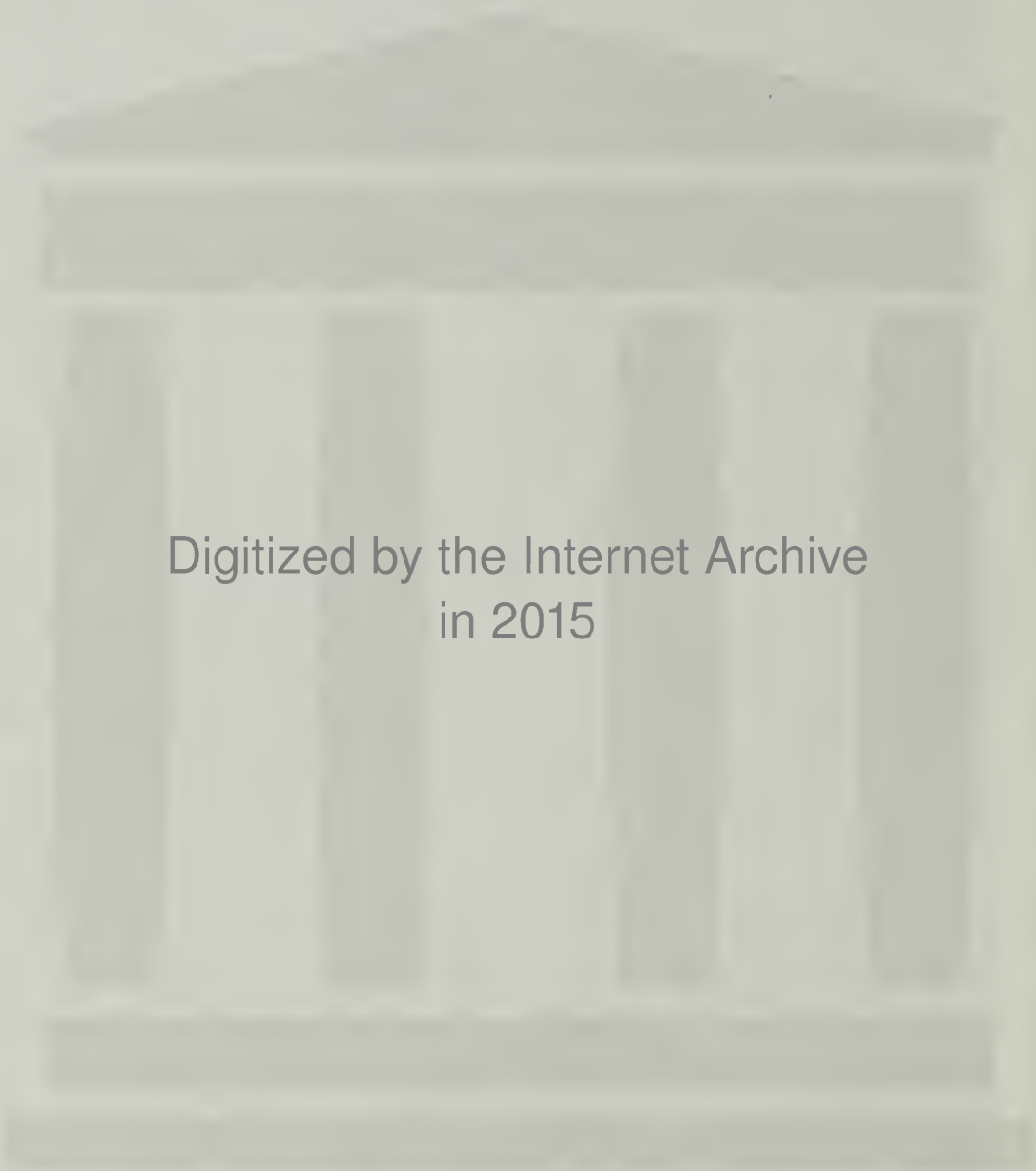
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UNIVERSITY OF MASSACHUSETTS

INSTITUTE FOR GOVERNMENTAL SERVICES

# MANUAL

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# Fourth Annual Massachusetts Cherry Sheet Conference

## March 16, 1977

Sheraton Boston Hotel
Prudential Center, Boston

# CHERRY SHEET MANUAL

A SUPPLEMENT TO THE FOURTH
ANNUAL CHERRY STREET CONFERENCE

March, 1977

INSTITUTE FOR GOVERNMENTAL SERVICES
MAURICE A. DONAHUE, DIRECTOR
UNIVERSITY OF MASSACHUSETTS

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Institute For Governmental Services

## TABLE OF CONTENTS


INTRODUCTION 1

UNDERSTANDING THE CHERRY SHEET 5

EXECUTIVE BUDGET RECOMMENDATIONS FOR LOCAL AID IN FISCAL YEAR 1978 41

PERSPECTIVE OF THE CITIES AND TOWNS 55
- Report on State/Local Financial Management (Condensation) 57
- The Governor's Budget for 1977-78: State Aid for Cities and Towns 61

FINANCING PUBLIC EDUCATION IN MASSACHUSETTS 85
- State Aid to Education in Massachusetts 87
- Taxes and Schools in Massachusetts: A Proposal for Reform 127
- Local Aid Programs Directory 151

MODEL DISCLOSURE STATEMENT 159

# INTRODUCTION

The Institute For Governmental Services was founded in 1970. Affiliated with the University's central administrative offices, it is a linking agency between the University of Massachusetts - Amherst, Boston, Worcester - and State and local government in the Commonwealth. The Institute's Director is Maurice A. Donahue, Walsh-Saltonstall, Professor of Practical Politics, and former President of The Massachusetts Senate.

The goal of the Institute is to assist state and local officials so that they may better serve the citizens they represent. Their assistance takes the form of training, research, technical assistance, and publications. Since its founding the Institutes' programs have trained more than 15,000 local officials in 232 workshops, conferences, and courses which have reached all the 351 towns and cities of Massachusetts.

The history of the Institute's involvement in the area of state-local fiscal relations covers a five year period, beginning with the uniform fiscal cycle change of 1972. Since the first series of regional forums, the Institute has assumed an increasing role in assisting mayors, managers, and municipal finance officers to meet the responsibilities of modern government.

Named for the pinkish colored paper on which it was originally printed, the "Cherry Sheet" combines for convenience two separate annual notifications to each city and town. The first notice served by the Cherry Sheet is the estimated amount of aid which each city or town can expect to receive from the state under various funding programs, the total of which is used to reduce the amount to be raised by local property taxation. The second notice which this form serves is to inform cities and towns of the "changes and assessments" which it must pay to other levels of government during the fiscal year, the total of which must be added to the local property tax levy.

Thus, the Cherry Sheet plays a key role in Massachusetts municipal finances...it is the balance sheet in state-local fiscal relations. Concerned about what the Cherry Sheet figures mean for their individual communities, Massachusetts municipal officials gather each year at this conference to get a briefing about a piece of paper important to all of them - the Massachusetts "Cherry Sheet".

# UNDERSTANDING THE CHERRY SHEET

# STATE-LOCAL FISCAL RELATIONS

## The "Cherry Sheet"

State-local fiscal relations in Massachusetts can best be illustrated by reference to the "Cherry Sheet", which in recent years has come to symbolize the transfer of funds between levels of government. Formerly the "Cherry Sheet" was a large single sheet of cherry pink paper. Now two, more manageable forms are mailed at the same time. One is notification by the Commissioner of Corporations and Taxation to the assessors of the estimated assessments and charges for the next fiscal year against the city or town, which it must pay for services performed by other levels of government. The total of the estimated charges is used in determining the amount to be raised from the property tax. The other form is notification by the State Tax Commission to the assessors of the estimated receipts to be paid to the city or town from the State during the next fiscal year. The total of the estimated receipts is used to reduce the amount to be raised by local property taxation.

In addition to the estimated receipts to be paid directly to cities and towns, which totalled $760.1 million for fiscal 1977, there are numerous locally related aid programs. These payments by the State to regions, housing authorities, retired teachers, the MBTA, etc., were estimated to total $310.7 million for fiscal 1977-including $86.1 million for regional school districts. Starting for fiscal 1978, the State Tax Commission issued notices of estimated receipts to regional school districts with copies to the member cities and towns.

There are other transfers of funds between local governments and regional school districts or special purpose districts which are local arrangements and there are a few state-aid programs such as certain kinds of highway aid, which are not shown.

Thus, while the "Cherry Sheet" does not show the total relationship between the state and each city or town or between cities and towns, it does illustrate several factors of state-local relations which are unique to Massachusetts, or at least to New England:

1. The place of the city or town in the overall pattern of government.

2. The system of assessments and charges for costs of other governments which the city or town must pay through the local property tax.

3. The system of state-aid appropriated reimbursements and distributions tied directly to the reduction of the local property tax.

# The Commonwealth of Massachusetts
## DEPARTMENT OF CORPORATIONS AND TAXATION

## NOTICE TO ASSESSORS OF FISCAL 1978 ESTIMATED CHARGES TO BE USED IN DETERMINING THE TAX LEVY

GENERAL LAWS, CHAPTER 59, SECTION 21 .....,
NAME OF CITY OR TOWN

| The following County Tax and State Assessments as estimated and the underestimates from the prior year must be used by the Assessors in determining the Gross Amount to be raised by Taxation. Overestimates from the prior year must be used by the Assessors as Available Funds. | Column 1 Estimates to be raised | Column 2 **Prior Year** Underestimates to be raised | Column 3 **Prior Year** Overestimates to be Used as Available Funds |
|---|---|---|---|
| 1. County Tax G.L. CH. 35, s. 31; 1974, CH. 492 ..... | | | |
| 2. County Hospital G.L. CH. 111, s. 85 ..... | | | |
| 3. Special Education G.L. 71B, ss. 10, 12; 1972, CH. 766 ... | | | |
| 4. Audit of Municipal Accounts G.L. CH. 44, ss. 41, 46A ... | | | |
| 5. State Examination of Retirement System G.L. CH. 32, s. 21 (2) ..... | | | |
| 6. Motor Vehicle Excise Tax Bills 1962, CH. 727..... | | | |
| 7. State Assessment System G.L. CH. 58, ss. 7A–7E ..... | | | |
| Health Insurance G.L. CH. 32A, ss. 10B (c), 12: 8. Elderly Governmental Retirees ..... | | | |
| 9. Retired Municipal Teachers ..... | | | |
| 10. State Recreation Areas Outside Metropolitan Parks District G.L. CH. 132A, ss. 4–6 ..... | | | |
| 11. Metropolitan Parks G.L. CH. 92, ss. 54–59A ..... | | | |
| 12. Metropolitan Sewerage G.L. CH. 92, ss. 5–8 ..... | | | |
| 13. Connection Charges ..... | | | |
| 14. Metropolitan Water G.L. CH. 92, ss. 26, 26A ..... | | | |
| 15. Connection Charges ..... | | | |
| 16. Entrance Fees ..... | | | |
| 17. Boston Metropolitan District Expenses 1929, CH. 383, s. 12; 1954, CH. 535 ..... | | | |
| 18. Massachusetts Bay Transportation Authority: G.L. CH. 161A, ss. 8, 9; 1974, CH. 825, ss. 6, 7 Net Cost of Service - Jan. 1, 1976 - Dec. 31, 1976 After Commonwealth Credit $ _____ | | | |
| 19. Regional Transit Authorities: G.L. CH. 161B, ss. 10, 11; 1973, CH. 114D Net Cost of Service - July 1, 1976 - June 30, 1977 After Commonwealth Credit $ _____ | | | |
| 20. Mosquito Control Projects G.L. CH. 252, s. 5A ..... | | | |
| 21. Air Pollution Control Districts G.L. CH. 111, ss. 142B, 142C; 1960, CH. 676, s. 1 ..... | | | |
| 22. Metropolitan Area Planning District G.L. CH. 40B, ss. 26, 29; 1974, CH. 476 ..... | | | |
| 23. Old Colony Planning Council 1967, CH. 332 ..... | | | |
| 24. Shellfish Purification Plants 1961, CH. 506, s. 2..... | | | |
| 25. Ipswich River Watershed District 1966, CH. 682; 1971, CH. 16 ..... | | | |
| 26. ..... | | | |
| 27. ..... | | | |
| TOTALS | | | |

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FISCAL 1978

# The Commonwealth of Massachusetts

## DEPARTMENT OF CORPORATIONS AND TAXATION

## NOTICE TO ASSESSORS OF FISCAL 1978 ESTIMATED RECEIPTS TO BE USED IN DETERMINING THE TAX LEVY

GENERAL LAWS, CHAPTER 58, SECTION 25A, AND CHAPTER 59, SECTION 23 .....

NAME OF CITY OR TOWN

A. General Fund Appropriated Reimbursement Programs:

1. Appeals Court Officers G L CH. 221, ss. 73–76 ..... $ _____
2. Maintenance of Suffolk County Court House 1935, CH. 474 ..... _____
3. Pensions to Retired Teachers G.L. CH. 32, s. 20 (2) (c) ..... _____
4. Loss of Taxes on Land G.L. CH. 58, ss. 13–17B ..... _____
5. Loss of Taxes, Flood Control G.L. CH. 58, s. 17; 1963, CH. 584 ..... _____
6. Real Estate Abatements to Veterans G.L. CH. 59, s. 5, clauses 22A–22E ..... _____
7. Real Estate Abatements to Widows and others G.L. CH. 59, s. 5, c. 17 & c. 37 ..... _____
8. Real Estate Abatements to Blind Persons G.L. CH. 59, s. 5, c. 37; 1973, CH. 872 ..... _____
9. Government Center in lieu of taxes - Boston 1960, CH. 635, s. 8 ..... _____
10. Police Career Incentive G.L. CH. 41, s. 108L; 1970, CH. 835 ..... _____
11. Compensation of Inspectors of Animals G.L. CH. 129, s. 17 ..... _____
12. Urban Renewal (Federally Aided) Projects G.L. CH. 121 ..... _____
13. Urban Renewal (Non-Federally Aided) Projects G.L. CH. 121 ..... _____
14. Veterans' Benefits G.L. CH. 115, s. 6, and Aid to Needy Dependents of Veterans 1972, CH. 610 ..... _____
15. Vocational Education G.L. CH. 74, s. 9 & s. 10; 1967, CH. 791 ..... _____
16. Outside Vocational School Transportation G.L. CH. 74, s. 8A ..... _____
17. Transportation of Pupils G.L. CH. 71, ss. 7A & 37D ..... _____
18. School Transportation G.L. CH. 71, s. 7B ..... _____
19. Regional Public Libraries G L. CH. 78, s. 19C ..... _____
20. Construction of School Projects 1948; CH. 645; 1954, CH. 346, s. 6A; 1974, CH. 492, s. 18 ..... _____
21. Cultivation and Protection of Shellfish, G.L. CH. 130, s. 20 ..... _____
22. ..... _____
23. ..... _____

Reimbursement Offset Items – Reserve for Direct Expenditures

24. Water Pollution Abatement Program G.L. CH. 21, s. 37; 1968, CH. 598 ..... _____
25. Racial Imbalance Program G.L. CH. 76, s. 12A ..... _____
26. Magnet Education Program G.L. CH. 71, ss. 37I and 37J ..... _____
27. Equal Education Improvement Fund, G.L. CH. 15, s. 1I ..... _____
28. Public Libraries G.L. CH. 78, s. 19A ..... _____
29. School Lunch Program (Partial Assistance) 1951, CH. 538 ..... _____
30. Elderly Lunch Program G.L. CH. 15, s. 1L; 1970, CH. 753 ..... _____

B. General Fund Appropriated Distributions G.L. CH. 58, s. 18A; 1974, CH. 492; 1975, CH. 684:

1. Transitional Bilingual Education G.L. CH. 71A ..... _____
2. Special Education Programs G.L. CH. 71B; 1972, CH. 766 – Offset Item ..... _____
3. School Aid G.L. CH. 70, as amended ..... _____
4. Adjustment ..... _____

C. Local Aid Fund Distribution (Lottery, Beano, Charity Games) G.L. CH. 29, s. 2D ..... _____

D. Highway Fund Distribution G.L. CH. 81, s. 31; 1971, CH. 497; 1974, CH. 492 ..... _____

E. Urban Redevelopment Corporation Excise Distribution G.L. CH. 121A, s. 10 ..... _____

F. TOTAL ESTIMATED RECEIPTS – ALL FUNDS (See detail below) ..... $ _____

TOTAL ESTIMATED GENERAL FUND APPROPRIATED REIMBURSEMENTS
Total of programs in A $ _____

TOTAL ESTIMATED GENERAL FUND APPROPRIATED DISTRIBUTIONS
Total of programs in B $ _____

TOTAL ESTIMATED ALL OTHER FUNDS DISTRIBUTIONS
Total of Items C, D, E, and F $ _____

## The Pattern of Government

The pattern of government in the Commonwealth differs greatly from that of most other states of the Union, especially in the number and variety of independent government units and the place of each in overall structure. Massachusetts has a small number of governments as compared with other states.

All states, of course, have a central government and all states have been divided into county governments for the administration of justice, keeping of certain records, highway construction and maintenance, and other state related functions. In addition, as certain areas grew large enough to incorporate, they were given municipal powers; they were established as school districts, not necessarily part of or coterminous with municipalities; or they were established as special districts. In most cases, each of these various units--state, county, municipality, school district, special district--was given its own taxing powers. Separate taxes for each county and each local government, (frequently overlapping) are the rule.

The Massachusetts governmental structure, however, did not develop along this line. From the earliest history of both the Plymouth and Massachusetts Bay Colonies, the cities and towns have had a much different place in the overall structure than their counterparts have had in other states. One difference not generally appreciated is that Massachusetts is one of six states in which all the area encompassed within state boundaries is located in some municipality. The others are Indiana, New Hampshire, New Jersey, Pennsylvania, and Rhode Island.

Another difference is that powers granted the cities and towns of Massachusetts are generally more extensive. This is particularly true of publiceducation, which is part of and not separated from city or town government.

Finally, and perhaps most importantly, the city or town governments are the only major taxing authorities other than the state. With the exception of some small fire, water, or other special districts which levy their own taxes, each city or town is assessed for the costs of other units of government--county, regional school districts, metropolitan district, transportation or other special district which it is a part. Of the 682 separate units of government enumerated by the federal census of governments in Massachusetts in 1972, only 482 depend on collecting their own taxes--the 351 cities and towns and 131 special districts. This is in decided contrast to the national picture.

## State, County and Other Assessments

Initially, the revenues needed to finance the costs of the Plymouth and Massachusetts Bay Colonies were obtained through a tax levied directly on the total estates of individuals equivalent to the modern property tax on real estate and personal property. But with early establishment of separate town governments, a new manner of financing the expenses of the central

colonial governments emerged. Instead of a tax being levied directly on the estates of individuals the total costs of the central government were divided among the various towns according to the actual or "equalized" value of all estates in each town in relation to the total of all estates in each colony. Each town then levied a tax on the estates of individuals sufficient to pay its own costs and its share of the costs of the central government. With statehood, this charge on the towns became known as the "state tax"; and, even after the state had developed its own source of revenue, the amount required each fiscal year to balance the state budget was assessed against the cities and towns until 1946.

With the establishment of county government in the colonies, the costs of each county were levied on the towns located therein in a similar manner and the amounts to be raised came to be known as the "county tax," although it was levied and collected by the town. And in more recent times, as new levels of government, such as the Metropolitan District Commission, the Massachusetts Bay Transportation Authority, and other special purpose areas or districts, were superimposed on the town structure, all or part of their costs were in turn charged to the local governments.

Assessments currently levied against the cities and towns are of three types: (1) those for which the amount due is determined in whole or in part on the "state tax apportionment basis"; (2) those for which the amount due is determined by a formula designed for the particular district, authority or program; and (3) those for which the amount due is a charge for services rendered or costs incurred by the state.

Assessments determined solely on the "state tax apportionment basis" are: the state tax, if one is levied for the year by the General Court; the county expenses of the Boston Metropolitan District; and debt service for the Metropolitan Parks District maintenance; state recreation areas outside the Metropolitan Parks District; and all Air Pollution Control Districts.

This group accounts for the major portion of all assessments and this fact underscores the importance of the so-called "state tax apportionment basis." The apportionment is based on the fair cash value of all property subject to taxation in each town in the Commonwealth as reported in the equalization and apportionment required to be filed biennially by the State Tax Commission (G.L. c. 58, s. 10C). Until recently, the law required the report of the State Tax Commission to be adopted by the General Court and the last apportionment to be so adopted was in 1963 (c. 660), and it, in turn, was based 75% on the last apportionment adopted prior to that time (c. 559 1945) and 25% on the apportionment submitted by the Commission in 1961. In other words, it was based 75% on the equalized valuations in 1945 and 25% on the equalized valuations in 1961. Out-of-date at the time it was enacted, the apportionment caused no small degree of concern among the Massachusetts citizenry. In fact, it almost took a court case to change it.

However, the requirement that the "adopted" equalization be used as the basis of apportioning these assessments was removed in 1974 (St. 1974, c. 492). Thus as of fiscal 1975, the equalization and apportionment as reported biennially by the State Tax Commission is to be used as the basis of this type of assessment.

Assessments which are based on specific formulas are those for the Massachusetts Bay Transportation Authority; mosquito control projects; Metropolitan Area Planning Council; Old Colony Planning Council; and the Ipswich River Watershed District.

Those which are charges for services rendered or costs incurred by the state are: Metropolitan District Commission water and sewerage; state audit of municipal accounts; state examination of retirement system; health insurance, governmental retiree program; motor vehicle excise tax bills; state assessment system; and shellfish purification plants and special education.

In addition to these assessments which appear on the "Cherry Sheet," there are certain other assessments which, as stated earlier, do not. Special districts, such as regional school districts, levy their own assessments on member communities which must in turn include such assessments in the amount to be raised by taxation. Fire, water, sewer, and similar districts are authorized by the special acts which create them to levy taxes at their own rates, to be collected by the member communities.

A summary of the "Cherry Sheet" assessment estimates for 1949-1972 calendar years and the fiscal years through 1977 is shown in Table I.

## State Aid Distributions and Reimbursements

### Replacement of Local Taxes

Along with the development of the method by which cities and towns in Massachusetts actually collect property taxes to pay the costs of other levels of government, changes were taking place in the manner of levying the property tax itself. With the introduction in the middle of the nineteenth century of the corporate franchise tax levied by the state, a share of the proceeds was returned to the cities and towns as replacement for the property tax which prior to that time had been levied locally on the shares of the corporations. Similarly, when manufacturing machinery was exempted from the local property tax and made subject to a state levied tax at a lower rate, the proceeds were returned to the localities as a replacement for the property tax lost.

Perhaps the most important change in the property tax occurred with the adoption of the amendment to the Constitution which permitted the state to levy the personal income tax as a replacement for the local tax on intangible property and on a person's ability to earn income. This tax was also returned to the cities and towns.

These distributions of state levied and collected corporation and income taxes, therefore, could not in any sense be termed state aid. They were in a real sense simply replacements for taxes which the localities would otherwise have received. Even the initial school aid formulas called for their financing from income tax sources which the cities and towns would have received in any case and amounted actually to a redistribution of these funds.

TABLE I

SUMMARY OF CHERRY SHEET ASSESSMENTS

1949 - 1977

(millions of dollars)

| Year | Total | County Tax | MDC | MBTA* | Other |
|---|---|---|---|---|---|
| 1949 | $ 31.6 | $ 12.1 | $ 6.4 | $ 9.4 | $ 3.8 |
| 1950 | 29.9 | 15.1 | 7.9 | 2.5 | 4.3 |
| 1951 | 28.4 | 14.5 | 7.9 | 1.5 | 4.5 |
| 1952 | 36.6 | 15.5 | 9.8 | 6.1 | 5.1 |
| 1953 | 37.9 | 15.0 | 9.3 | 8.6 | 5.1 |
| 1954 | 42.2 | 15.1 | 11.4 | 8.4 | 7.3 |
| 1955 | 40.3 | 15.0 | 11.9 | 7.3 | 6.2 |
| 1956 | 44.9 | 18.2 | 13.3 | 7.6 | 5.8 |
| 1957 | 49.2 | 19.2 | 14.1 | 9.3 | 6.5 |
| 1958 | 58.5 | 23.0 | 15.5 | 12.5 | 7.5 |
| 1959 | 66.2 | 24.1 | 15.8 | 16.9 | 9.3 |
| 1960 | 67.2 | 22.6 | 17.5 | 19.6 | 7.5 |
| 1961 | 75.7 | 25.4 | 18.3 | 22.6 | 9.4 |
| 1962 | 77.8 | 26.4 | 20.9 | 21.6 | 8.9 |
| 1963 | 78.0 | 27.4 | 23.8 | 17.4 | 9.4 |
| 1964 | 80.3 | 29.1 | 25.0 | 19.1 | 7.1 |
| 1965 | 79.1 | 31.4 | 27.6 | 13.0 | 8.1 |
| 1966 | 86.3 | 32.5 | 28.1 | 18.8 | 6.9 |
| 1967 | 104.8 | 42.8 | 31.9 | 21.5 | 8.7 |
| 1968 | 107.4 | 40.9 | 32.8 | 25.5 | 8.2 |
| 1969 | 124.5 | 50.2 | 33.1 | 29.3 | 12.0 |
| 1970 | 141.1 | 58.0 | 36.9 | 33.4 | 12.7 |
| 1971 | 170.6 | 66.1 | 38.2 | 52.6 | 13.7 |
| 1972 | 185.1 | 68.4 | 39.8 | 63.1 | 13.8 |
| 1973-74** | 247.3 | 104.2 | 48.5 | 75.6 | 19.0 |
| 1975 | 231.1 | 91.1 | 53.2 | 55.7 | 31.1 |
| 1976 | 255.7 | 95.7 | 58.6 | 69.9 | 31.5 |
| 1977 | 262.5 | 98.5 | 59.7 | 73.0 | 31.3 |

* MBTA through 1965. Also, amounts are net after Commonwealth Credit.
** 18 month transitional year.

Source: Department of Corporations and Taxation.

## Tax Distributions

Through 1965, specific portions of each tax were allocated to "agency" funds at the time of collection and were distributed as follows:

1. The income tax, after deduction of administrative costs and transfers for school transportation and school lunch programs, was distributed (1) as school aid, (2) as aid for special classes for the physically handicapped and mentally retarded, and (3) the balance on the state tax apportionment basis.

2. The corporation tax, after deduction of administrative costs, was distributed (1) as a $9.0 million replacement for loss of taxes on machinery which had been taxable locally and (2) the balance on the state tax apportionment basis.

In addition, portions of two other taxes were ear-marked for distribution. One-third of the meals tax was allocated to an agency fund for aiding the localities in paying their share of old age assistance costs. It was distributed proportionally to all communities on the basis of shares of total old age assistance costs. Also, an amount equivalent to two cents per package of the cigarette excise was set aside and used for transportation purposes. Part of this was distributed to communities using public transportation for transporting school students.

These distributions were shown separately on the "Cherry Sheet" and used to reduce the amounts to be raised by local taxation.

## State Aid and Reimbursement Programs

State aid in the sense of state revenue sources being used to provide additional funds for financing local government costs probably began early in this century with the first use of state funds for the construction and maintenance of local roads. Through the years, the state gradually established more and more programs to be carried out on the local level and paid a portion of their costs to the cities and towns or regional districts directly from the General Fund.

In 1965, there were educational programs for school transportation, school lunch programs, school building assistance, vocational education, special classes, school counselors, youth service, and libraries. There were public assistance programs for veterans, old age assistance, medical assistance to the aged, aid to families with dependent children, and aid to the disabled. There were other programs in the fields of public health and natural resources and reimbursements for losses of taxes on publicly owned property and certain property tax abatements to widows and veterans.

These programs were of two types primarily: (1) those for which the state paid a portion of the cost as an incentive for the locality to adopt the program, primarily in education, and (2) those for which the state paid a portion of the cost of a state-imposed but locally administrated program, primarily public assistance. Only one, school building assistance, took into consideration the community's need or ability to pay. The local receipts from these state aid programs did not appear on the "Cherry Sheet" but were estimated for purposes of reducing local taxation. For fiscal 1978, there are twenty-eight reimbursement programs listed on the "Cherry Sheet".

Also, there were a few programs for locally-related costs, such as retired teachers, housing for the elderly, and housing for veterans, under which the state appropriated funds to be paid on behalf of the cities and towns.

A local Aid Fund, established in 1966 and discontinued in 1969, was divided into two major parts. The first part was made up of the entire receipts from the personal income tax, net of administrative costs, with minor exceptions; 40% of the receipts from the corporation excise; one-third of the receipts from the meals excise; and 20% of the net receipts from the sales and use taxes. Out of this part were made the "machinery basis" distribution and the appropriated reimbursements described in the next section; any balance in this part was to be distributed in proportion to the equalized valuations established by the General Court for the apportionment of state and county taxes. The second part was made up of the remaining 80% of net sales and use tax receipts, plus the annual income of the Massachusetts School Fund (G.L. c. 70, s. 3). This part was used, first, for certain special education programs for physically or mentally handicapped pupils and secondly, for the distribution of reimbursable school expenditures to the cities and towns in accordance with the school aid percentage. Any balance remaining was to be distributed to the cities and towns in accordance with the school aid percentage. But the available funds were always short of the total school entitlements under the formula.

The 1969 legislation (Acts, 1969, c. 546) abolishing the Local Aid Fund allowed its tax sources to be credited to the General Fund and provided payment of amounts for the appropriated reimbusement programs (described below) to cities and towns from the General Fund. In addition, the legislation established a total guaranteed amount ($239.6 million) to be used on a priority basis for the four historical distribution programs--machinery basis, physically handicapped and mentally retarded programs, school aid, and valuation (or state tax apportionment) basis. The total of these guaranteed distribution statutorily increases by a percentage equal to the increase in the sales tax collections. Initially, this resulted in a fully funded school aid formula and a large reduction in the outdated valuation basis distribution. Subsequent changes in the school aid formula of Chapter 70 of the General Laws so increased the amount of school aid to which the cities and towns were potentially eligible that the total possible school aid is not funded. Further, the valuation basis distribution ceased to be funded in 1972.

In 1974, legislation (Acts 1974, c. 492) was enacted which significantly changed these distributions. In addition to increasing the amount of the guaranteed minimum to $396.0 million for fiscal 1975 and to $452.0 million for fiscal 1976, the legislation eliminated both the machinery and valuation basis distributions. Today there are three distribution programs--special education, school aid, and a surplus program geared to school aid. These three programs, particularly the first two, are the major items of the Cherry Sheet estimates.

## Appropriated Reimbursements

With certain exceptions noted below, reimbursement of property taxes lost to the cities and towns through exemptions or abatements is made by appropriated reimbursements from the General Fund. The other appropriated reimbursements which are of general interest may be summarized as follows:

1. Veterans' benefits.
2. Education (school transportation, vocational education, retirement pensions, school construction, school lunch program, racial imbalance, magnet, and equal education improvement).
3. Public libraries.
4. Urban renewal.

## School Aid and Other Distributions

The distributions from the General Fund are summarized in Table 2.

### 1) Special Education Distribution

In addition to appropriated reimbursement programs and the school aid distribution described below, the Commonwealth makes a distribution to cities and towns for bilingual education programs and for special education programs for children with special needs. The bilingual education portion is based on the amount by which the cost per pupil in transition bilingual education courses exceeds the average per pupil expenditure. The special education portion is based on a similar formula except that the average amount of reimbursement for each special education pupil in a city, town or district cannot exceed 110% of the average statewide reimbursement per special education pupil.

### 2) School Aid Distribution

School aid to which a community is entitled in the calendar year is determined by multiplying its reimbursable expenditures for the preceding fiscal year by its school aid percentage for the calendar year during which the fiscal year began (G.L. c. 70, s. 4). The formula takes into account both need, which is related directly to number of school children and inversely to valuation, and effort, represented by actual expenditures.

TABLE 2.

LOCAL AID DISTRIBUTIONS FROM GENERAL FUND

(G.L. c. 58, s. 18A)

| (a) Amount to be distributed | (b) Payments to cities, towns, and regional school districts, to extent of available funds, in order of priority: |
|---|---|
| $452,000,000, increased by the percent of growth from 1975 of revenue from the sales and use tax using the 3% rate | (1) Reimbursements for special education programs under c. 71A and 71B (physically handicapped or mentally retarded) (see text).<br><br>(2) Distribution to cities and towns of a proportion of reimbursable school expenditures based on school aid percentage under c. 70 (see text).<br><br>(3) Balance remaining, in proportion to the amount distributed under (2) above (see text). |

Reimbursable school expenditures are the total amount expended by the city or town for the support of public schools, exclusive of transportation, school lunch programs, special classes for the physically handicapped and mentally retarded, vocational educational programs and capital outlays after deduction of any receipts from other sources, except school aid received during preceding year, which are applicable to the expenditures (G.L. c. 70, s. 2(c) ). Reimbursable expenditures are subject to an upper limit of 110% and a lower limit of 80% of the state average reimbursable expenditures per child in net average membership multiplied by the number of children in net average membership in the community (G.L. c. 70, s. 4). However, the total amounts received for school aid for reimbursable purposes cannot exceed 75% of reimbursable expenditures.

The school aid percentage is the difference between 100% and 65% times the valuation percentage, subject to a maximum of 75% and a minimum of 15% (G.L. c. 70, s. 2(d) ). The valuation percentage is the equalized valuation per school attending child of the community, divided by the average state equalized valuation per school attending child (G.L. c. 70, s. 2(f) ). The school aid percentage may be represented as follows:

$$\text{School Aid} = 100\% - 65\% \left( \frac{\frac{\text{Eq. Val. in city/town}}{\text{S.A.C. in city/town}}}{\frac{\text{Total Eq. Val. in State}}{\text{Total S.A.C. in State}}} \right)$$

The following examples show the computation of the school aid percentages for three towns with the same number of pupils:

(1) Town "A" has 2,500 pupils in public and private schools and an equalized valuation of $95,000,000. Its school aid percentage would be computed as follows:

$$100\% - 65\% \times \left( \frac{\$\ 95,000,000/2,500}{\$\ 63,103,898,000/1,332,129} \right) =$$

$$100\% - 65\% \times \left( \frac{\$38,000}{\$47,371} \right) =$$

$$100\% - (65\% \times 80.2\%) = 100\% - 52.1\% = 47.9\%$$

(2) However, Town "B", which is a wealthier town also has 2,500 pupils, but has an equalized valuation of $130,000,000. Its school aid percentage would be computed as follows:

$$100\% - 65\% \times \left( \frac{\$130,000,000/2,500}{\$\ 63,103,898,000/1,332,129} \right) =$$

$$100\% - 65\% \times \left( \frac{(\$\ 52,000)}{(\$\ 47,371)} \right) =$$

$$100\% - (65\% \times 109.8\%) = 100\% - 71.4\% = 28.6\%$$

(3) On the other hand, Town "C", which is a poorer town also has 2,500 pupils, but has an equalized valuation of only $70,000,000. Its school aid percentage would be computed as follows:

$$100\% - 65\% \times \left( \frac{\$70,000,000/2,500}{\$63,103,898,000/1,332,129} \right) =$$

$$100\% - 65\% \times \left( \frac{(\$28,000)}{(\$47,371)} \right) =$$

$$100\% - (65\% \times 59.1\%) = 100\% - 38.4\% = 61.6\%$$

The net effect of this basis of school aid distribution is to guarantee that the state will bear approximately 35% of total reimbursable ordinary school operating costs, but the percentage of reimbursable school operating costs in each city or town which would be borne by the state would vary according to the number of resident pupils in public and private schools to be educated and the wealth of the locality, as measured by the equalized valuation of property, in proportion to the total number of such pupils and the total equalized valuation of the state.

The equalized valuations used for determining the school aid percentage are those reported every two years by the State Tax Commission to the General Court (G.L. c. 70, s. 2 (a) ; see G.L. c. 58, ss. 9, 10C). These equalized valuations are based on current full value for each community, determined by a continuing sales ratio study. They are also used for the apportionment of the expenses of school and other districts among their member communities and for the determination of borrowing limits.

The amount of school aid to which a community is entitled is subject to a minimum limit of 115% of the sum of the amounts paid to the community in 1965 as school aid under Chapter 70, plus any grants and reimbursements paid in 1965 under provisions of Chapters 69, 71, and 74 which were subsequently terminated (G.L. c. 70, s. 4).

The formula for the distribution of school aid is not based on funds available for this purpose, but on expenditures decided upon by the cities and towns. If the amount to be distributed is insufficient to make the full distributions required, the amounts available are distributed to the cities and towns in the proportions in which they would otherwise be due (G.L. c. 58, s. 18A(b) ). There have been insufficient funds to distribute the total school aid as computed by formula since 1972.

3) Surplus Distribution

Any balance remaining in the available funds after the special education, and school aid distributions will be distributed in the proportion which the amount distributed to each city and town under the school aid distribution bears to the total amount of the school aid distribution.

Cigarette Excise

From part of the proceeds from four cents of the cigarette excise credited to the General Fund for transportation purposes, the cities and towns receive school transportation allowances, and those which are members of transportation districts receive reimbursements of part of their costs (G.L. c. 58, s. 25B). These payments are estimated on the Cherry Sheet.

Urban Redevelopment Corporation Excise

Each city or town is entitled to receive the proceeds of the urban redevelopment corporation excise paid on projects located in it (G.L. c. 121A, s. 10). These proceeds are estimated on the Cherry Sheet.

Highway Fund

The Highway Fund consists of all receipts from motor vehicle registration and license fees, contributions and assessments for road maintenance and construction paid to the state treasury by cities, towns, or counties; refunds and rebates made on account of road expenditures by the Department of Public Works; the receipts from the motor fuel excise on motor fuels sold in Massachusetts; and amounts received by the State Treasurer from the federal government for highway purposes (G.L. c. 90, s. 34).

1) Chapter 90 Appropriations

Among the purposes for which appropriations may be made from the Highway Fund, after those made for carrying out the legal provisions on the use and operation of motor vehicles and for administration of the motor fuel excises, are the maintenance and construction of town and county highways, in conjunction with funds appropriated by the towns and counties.

2) Chapter 81 Appropriations

Smaller towns are entitled to expend amounts appropriated by the General Court for the repair and improvement of public ways (G.L. c. 81, s. 26). Entitlement is limited to towns having total assessed valuations of less than five million dollars under the 1945 state tax apportionment ratios and having mileage ratios (the town's share of each million dollars of state tax, divided by the number of miles of public ways in the town) of less than $12.00.

Such expenditures cannot exceed $250 per mile, and are conditioned on the town's contributing for each mile of public ways in town, an amount depending upon the mileage ratio in accordance with the following table:

| | Mileage Ratio | Contribution |
|---|---|---|
| 1. | $0.00 - $ 1.40 | $ 15 |
| 2. | 1.40 - 2.00 | 25 |
| 3. | 2.00 - 2.80 | 40 |
| 4. | 2.80 - 3.50 | 50 |
| 5. | 3.50 - 5.50 | 75 |
| 6. | 5.50 - 7.00 | 100 |
| 7. | 7.00 - 9.00 | 125 |
| 8. | 9.00 - 12.00 | 150 |

Snow removal costs may be paid from these appropriations and contributions at the rate of 75 cents per mile.

The county commissioners may expend county funds for the repair or improvement of public ways in qualified towns under the conditions described (G.L. c. 81, s. 26A).

3) Special Highway Fund Reimbursements

In 1971, a third highway aid program was enacted (Acts, 1971, c. 497). The motor fuels excise was increased one cent with the proceeds specifically set aside for reimbursements to cities and towns for highway construction and maintenance. The formula for determining the amount of highway aid which can be expressed as follows:

| Highway Aid | = | Basic Mileage Allowance | + | Road Use Allowance | - | Equalizing Deduction | | Local Road Mileage |
|---|---|---|---|---|---|---|---|---|

Using, the specific dollar amounts in the statute, the formula would appear as follows:

$$\text{Highway Aid} = \$400 + \$7 \left( \frac{\text{Number of vehicles}}{\text{Local Road Mileage}} \right) - \$.10 \left( \frac{\text{Thousands of eq. val.}}{\text{Local Road Mileage}} \right) \times \text{Local Road Mileage}$$

The amount of aid for each city and town is determined and a total for all cities and towns obtained. Each city and town then receives, on a semi-annual basis, its proportion of the total funds available from one cent of the motor fuels excise. The first payment is made by December thirty-first, and the s second by June thirtieth of each fiscal year.

Lottery and Beano Distribution

The legislation which established the State Lottery (Acts 1971, c. 813) provided that there be created a Local Aid Fund and that the proceeds from the Lottery, after payment of prizes and administration costs, be credited to such fund for distribution to the cities and towns. Further, in 1974 the proceeds from beano games, after payment of prizes, administrative expenses, and the General Fund portion, were put into the Local Aid Fund as well (Acts 1974, c. 492). Originally, such beano proceeds were distributed to cities and towns in which the games were held.

The formula for distributing such proceeds is based on an average grant across the state of ten dollars per capita; however, the amount per capita to any one city or town would be increased or decreased according to how that community's equalized valuation per capita compares to the equalized valuation per capita in the state. The poorer community would receive a larger grant and the wealthier community, a smaller one. The formula for computing the aid for each city or town is as follows:

$$\text{Local Aid} = \left(\frac{\text{State Eq. Val. per capita}}{\text{Local Eq. Val. per capita}}\right) \times \$10 \times \text{Local Population}$$

Each community's local aid amount would be determined and a total for all communities would be obtained. Each community would then receive, on a semi-annual basis, its proportionate share of the amount available in the fund at the time of distribution. Distributions are made on or before December thirty-first and June thirtieth of each fiscal year.

Other Reimbursements of Local Expenses

The following is a partial list of local expenditures for which total or partial state reimbursement is authorized:

1. Airport construction (G.L. c. 90, ss. 39, 39C, 39F, 39G).
2. Land reclamation to promote public health (G.L. c. 252, s. 8).
3. Water shed protection (federal funds) (G.L. c. 21, ss. 12-15).
4. Water pollution control (G.L. c. 21, s. 37).
5. Forest fire prevention and control (limited to towns having a total valuation not exceeding $1.75 million) (G.L. c. 40, s. 11; c. 48, ss. 24, 28).
6. Expenses of regional health districts (G.L. c. 111, s. 27C).
7. Compensation for animal inspectors (limited to towns having a total valuation of less than $2.5 million dollars) (G.L. c. 129, s. 17).

Appropriations are made from various state funds for numerous local projects, but the expenditures are made directly and not channeled through the local governments. Examples are payments for local projects from the Marine Fisheries Fund (G.L. c. 130, s. 2A) and from the Mosquito and Greenhead Fly Control (G.L. c. 252, ss. 5A and 24), and numerous health and welfare services provided locally at state expense.

Data on Distributions and Reimbursements

Because of the many structural changes which have been made in local aid since 1965, it is difficult to compile comparable data for the years before that. But Table 3 clearly shows the very marked increase in school aid from 1965 through the 1975 fiscal year. The effect of the 1969 change in order of priority between the school aid distribution and the valuation basis distribution is evident in that there are no distributions on the valuation

basis after 1971. The decline in appropriated reimbursements immediately after 1968 results from the transfer of responsibility for welfare payments from the cities and towns to the state. However, the total of such reimbursements have increased in recent years due to increased educational reimbursements.

Highway Fund distributions for Chapter 81 and 91 reimbursements to the cities and towns are summarized in Table 4 for fiscal years 1956-1976.

TABLE 3.

SUMMARY OF DISTRIBUTIONS AND REIMBURSEMENTS TO CITIES AND TOWNS
FOR CALENDAR YEARS 1965-1972, AND FISCAL YEARS 1974-1977.
(millions of dollars)

| | 1965 | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973-74 | 1975 | 1976 | 1977 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Tax distribution programs: | | | | | | | | | | | | |
| Machinery basis | $ 9.0 | $ 9.0 | $ 9.0 | $ 9.0 | $ 9.0 | $ 9.0 | $ 9.0 | $ 9.0 | $ 18.0 | $ - | $ - | $ - |
| Special education* | 6.2 | 7.1 | 8.1 | 9.6 | 12.0 | 13.4 | 17.0 | 22.5 | 30.8 | 42.3 | 39.4 | 93.1 |
| School aid | 40.1 | 56.2 | 97.2 | 111.4 | 114.4 | 204.3 | 220.7 | 283.1 | 461.2 | 352.3 | 384.7 | 353.1 |
| Valuation basis | 73.5 | 91.1 | 167.6 | 122.6 | 103.7 | 28.3 | 37.5 | - | - | - | - | - |
| Other | 4.3 | 5.0 | 5.3 | 2.8 | - | - | 1.0 | 13.8 | 7.9 | 21.4 | 18.5 | - |
| Sub-total* | $133.1 | $168.4 | $288.2 | $255.4 | $239.1 | $255.0 | $285.2 | $328.4 | $517.9 | $416.0 | $442.6 | $446.2 |
| Appropriated reimbursements: | | | | | | | | | | | | |
| Education (12 programs)** | $ 48.4 | $ 46.6 | $ 41.3 | $ 43.0 | $ 61.7 | $ 75.0 | $104.4 | $111.2 | $144.1 | $199.6 | $222.0 | $177.3 |
| Welfare (6 programs) | 63.2 | 94.1 | 76.1 | 89.7 | 15.4 | 1.7 | 0.9 | 0.7 | 3.7 | - | - | - |
| Other | 13.8 | 16.7 | 12.9 | 17.9 | 22.6 | 22.7 | 14.9 | 37.1 | 45.7 | 43.2 | 40.4 | 61.0 |
| Sub-total*** | $125.4 | $157.4 | $130.3 | $150.6 | $ 99.7 | $ 99.4 | $120.2 | $149.0 | $193.5 | $242.8 | $262.4 | $238.3 |
| Other distributions: | | | | | | | | | | | | |
| Special highway fund | $ - | $ - | $ - | $ - | $ - | $ 15.0 | $ - | $ 23.5 | $ 25.1 | $ 35.7 | $ 25.5 | $ 25.2 |
| Cigarette exercise | 1.9 | 2.1 | 2.1 | 2.4 | 1.7 | 1.8 | 1.9 | 2.0 | 2.3 | 1.8 | 1.0 | 1.3 |
| Urban redevelopment | 0.6 | 1.0 | 1.5 | 1.9 | 2.4 | 2.6 | 4.2 | 5.2 | 13.6 | 6.6 | 8.7 | 9.1 |
| Local aid fund (lottery, etc.) | - | - | - | - | - | - | - | 21.9 | 32.6 | 54.8 | 37.0 | 40.0 |
| Sub-total | $ 2.5 | $ 3.1 | $ 3.6 | $ 4.3 | $ 4.1 | $ 19.4 | $ 6.1 | $ 52.6 | $ 73.6 | $ 98.9 | $ 72.2 | $ 75.6 |
| Total | $261.0 | $328.9 | $422.1 | $410.3 | $342.9 | $373.8 | $411.5 | $530.0 | $785.0 | $757.7 | $777.1 | $760.1 |

Notes: Actual amounts for programs detailed and estimated on Cherry Sheets, except 1965 figures. Reimbursements were not included in Cherry Sheet in 1965. All payments (except "other distributions") are now made from the General Fund; from 1966 through fiscal 1969 they were made from the Local Aid Fund. Estimates shown on 1973-74 "Cherry Sheet" are for eighteen month transitional fiscal period. For comparative purposes, actual total for calendar 1973 was $545.7 million. Does not include Chapter 81 and 90 and certain other highway aid.

* Excludes special education program payments to regions. Includes transitional bilingual education.
** Regional School District Aid payments made directly to regions starting in 1976, $22.5; 1977, $23.7
*** Includes overdue prior year payments: 1966, $28.3: 1975, $36.6; 1976, $54.9 (of which Education = $53.4).

Source: Department of Corporations and Taxation.

TABLE 4

CHAPTERS 81 AND 90 DISTRIBUTIONS TO CITIES AND TOWNS FROM HIGHWAY FUND FOR FISCAL YEARS 1956-1973

| Year | Total | Chapter 90 projects | Chapter 81 projects | Other |
|---|---|---|---|---|
| 1956 | $6,819,976 | $4,279,916 | $2,540,060 | |
| 1957 | 7,992,458 | 5,364,084 | 2,628,374 | |
| 1958 | 9,419,272 | 6,828,202 | 2,591,070 | |
| 1959 | 8,764,637 | 6,144,707 | 2,619,930 | |
| 1960 | 7,651,092 | 5,024,882 | 2,626,210 | |
| 1961 | 7,723,362 | 5,095,940 | 2,627,422 | |
| 1962 | 8,164,378 | 5,512,713 | 2,651,665 | |
| 1963 | 8,594,214 | 5,740,566 | 2,630,448 | $223,200 |
| 1964 | 8,611,624 | 5,938,431 | 2,673,193 | |
| 1965 | 8,848,414 | 6,208,031 | 2,640,383 | |
| 1966 | 8,492,835 | 5,763,197 | 2,654,638 | 75,000 |
| 1967 | 8,153,048 | 5,437,795 | 2,715,253 | |
| 1968 | 8,057,753 | 5,436,855 | 2,620,898 | |
| 1969 | 9,441,918 | 6,771,242 | 2,624,930 | 45,746 |
| 1970 | 9,743,500 | 6,859,049 | 2,861,885 | 22,566 |
| 1971 | 11,319,427 | 7,710,706 | 2,700,955 | 907,766 |
| 1972 | 9,550,835 | 6,775,242 | 2,775,593 | |
| 1973 | 8,324,820 | 5,752,174 | 2,572,646 | 14,605 |
| 1974 | 9,081,275 | 6,025,591 | 2,834,864 | 220,824 |
| 1975 | 19,251,474 | 5,440,535 | 2,338,694 | 11,472,245 |
| 1976 | 15,145,463 | 3,335,342 | 381,104 | 11,429,017 |

Source: Massachusetts Financial Report (Highway Fund appropriations and expenditures).

# Understanding the Cherry Sheet

Remarks of Nicholas L. Metaxas, Commissioner of Corporations and Taxation, at the Second Annual Massachusetts Cherry Cheet Conference, May 21, 1975 (REVISED February 1977)

In the area of local finance and state-local fiscal relationships, no single subject matter intrigues and mystifies local officials more and is understood less than the "cherry sheet", so-called. It is fair to say - without being disputed by anyone - that the number of people in this state who know all the ramifications of the "cherry sheet" can be counted on the fingers of one's hands and, possibly, of only one hand.

In its broadest sense, the "cherry sheet" symbolizes the sum total of the varied and complex state-local fiscal relationships - the state revenue being shared with local communities, and, conversely, the amounts assessed or charged municipalities for services rendered at other levels of government. It is this interaction of governmental levels that we are going to be looking at today - where we are, where we hope to move in the future, and what, in spite of our hopes, may be our real prospects.

These stimulating and challenging topics will be expertly discussed by other speakers today. My role is more mundane - understanding the "cherry sheet". Here, we are talking about the "cherry sheet" in its more narrow sense - the annual summary received by each city and town projecting its state receipts and charges for the ensuing fiscal year. The "cherry sheet", however, is neither "cherry" nor a "sheet". Formerly, it was a sheet of oversized cherry-colored paper with a ledger-format, listing certain debits (called Assessments and Charges) on the left side and certain credits (called Distributions and Reimbursements) on the right side. A few years ago, we changed the color from cherry to pink to enhance legibility. Starting with fiscal 1976, we changed it to two sheets and to functionally - coordinated colors. Distributions and Reimbursements are on one sheet; and Assessments and Charges remain on a separate sheet. With all this change, however, the name of the documents remain as "cherry sheet".

On or before February 1 of each year, every state agency administering certain local reimbursement or assistance programs is required by law to estimate the amount each city or town will receive under such programs during the next fiscal year and certify such estimates to the State Tax Commission.

The Commissioner's role then is three-fold:-

(1) To take the various agency estimates review them (to whatever extent possible) for basic accuracy and consistency; adjust them within our own projected framework of estimated available revenues and appropriations as recommended in the Governor's budget; make the proper allocations or apportionments by city and town; and, finally, certify these amounts in their proper respective items on the Cherry Sheet itself.

(2) With a very limited number of programs, the tax department is responsible for making the initial estimates and determinations which are found on the Cherry Sheet - but these are the exceptions. For the most part, however, - whether we deal with reimbursements or charges - other agencies make the projection or estimate and supply this information to the tax department. Essentially, we merely review, tabulate and transmit the information to cities and towns in summary form.

(3) The Commission is, however, responsible for estimating the amount of the Commonwealth's dollars that will be available for payment to cities and towns during the year either in distributions, or appropriations that will be submitted to and made by the General Court for appropriated reimbursement programs. In making these estimates we work closely with the Secretary of Administration and the appropriate legislative committees.

The law requires the Commission to estimate the amount each community will receive during the fiscal year under the various distribution, reimbursement and assistance programs. In some years in the past, communities have not received all amounts to which they were entitled under various programs. In these cases, the Commission must estimate what it believes cities and towns will actually receive - based upon whatever information is available to it at that time. It is this largely subjective determination that some local officials find objectionable. However, we view the Commission's role in this process - probably its most important - as one of maintaining, at all costs, the fiscal stability and viability of the Cherry Sheet, of the tax rates ultimately derived therefrom and of the communities themselves. It is noted that the Cherry Sheets for fiscal 1976 included every dollar that was owed to cities and towns during the year.

The sum total of the estimates and projections embodied in the completed Cherry Sheet is required to be certified to the individual cities and towns on or before March 1 for the fiscal year commencing July 1. Generally, pending tax programs, statutory formula changes or litigation have delayed their issuance beyond that date. For example, two suits relating to our 1974 equalized valuations delayed the 1976 Cherry Sheets until May 5, 1975.

For fiscal 1977, total estimated distributions and appropriated reimbursements for all cities and towns amounted to $760.1 million, made up of $446.2 million in General Fund distributions, $75.6 million of other distributions and $238.3 million in reimbursements. (This does not include another $310.7 million for locally related reimbursements, which are not paid directly to cities and towns). Thus total aid to cities and towns and locally related reimbursements exceeds $1 billion.

The estimated receipts are not wholly available for use in reducing the amount required to be raised by local taxation. The Commissioner of Corporations and Taxation is required by law to notify assessors of his estimate of charges and assessments to be levied upon cities and towns during the ensuing year. The total receipts less the total on the "pink sheet" represents the net amount that the municipality may use to reduce its levy and the amount otherwise required to be raised through property taxation.

will notify communities that for the coming year they will receive x dollars in school aid, highway aid or whatever. Then, when our figures are received on the cherry sheet, they may be significantly lower. The result is that inquiries pour into the tax department - why are we being short-changed? For example, the Department of Education will notify you what your full entitlement under Chapter 70 School Aid is going to be. However, whether you will recieve this or not depends upon the revenue available for distribution. For the last several years, we have not been distributing full entitlements - but only 70-80% of full entitlements.

Similarly, reimbursements have to be certified to communities - not on the basis of entitlements, but what amounts have been submitted or enacted in the appropriation acts. Unfortunately, the Commission must make its estimates long before budgetary action is completed. At that time we must base our determinations upon our "best information and belief" of what appropriations will be passed by the legislature and approved by the Governor. Generally speaking, our estimates are determined upon what has been either appropriated or pending before the General Court at that time.

Anyone who carefully examines the Massachusetts Cherry Sheet with its forty-four separate receipt items and the twenty-six or seven separate charge items must, in my opinion, conclude that Massachusetts indeed has an exceedingly complex - and in some respects, self-defeating - method for state-local revenue-sharing. We should be able to distribute the billion dollars or so that we allocate for the local purposes in a far simpler, more direct manner. Our various distribution and reimbursement programs have grown like Topsy without thought, at times, to their inter-relations or inter-action or one another. There has to be a better way.*

* Former Commission Metaxas has edited these remarks, bringing them up to date with prevailing laws governing the preparation, mechanics and issuing of Cherry Sheets.

The major items appearing as Assessments and Charges are the city or town's pro rata share of county costs, MDC parks, water and sewerage and MBTA assessments. For fiscal 1977, of the $262.5 million in total assessments and charges, county costs accounted for $98.5 million; MBTA, $73.0 million; and the various MDC programs, $59.7 million.

Thus, the Cherry Sheet has a direct and immediate impact upon property taxes. Obviously, the higher the distribution and reimbursement figures and the lower the assessments and charges, a smaller amount has to be raised through property taxation.

One aspect of this whole procedure must be stressed and noted carefully. The Cherry Sheet sets forth estimates of what the city or town will receive anywhere from four to sixteen months - and possibly twenty months - after the estimates are made. The community may actually receive more or less than the amount indicated. No one should consider these figures as fixed, guaranteed and unalterable amounts. Although we all try to make our estimates as accurate and as close to the mark as possible, there are bound to be differences between actual receipts and the original estimates.

Some of these projections have to be made before the time period upon which they are based has ended. They must, of necessity, be based upon informed judgments. In most cases, especially in the assistance and reimbursement programs how, when and in what order payments are made is not the responsibility or within the control of the Commission. Invariably, we will be asked by the local official, "Why did we only get 80% or 90% of the Cherry Sheet amount?" This question should be directed to the program administering agency - not to the State Tax Commission.

In order to fully understand the Cherry Sheet, especially the estimated receipts, you must realize the differences between "reimbursements" and "distributions" as utilized therein and as those words are used by those working in this area. Distribution are amounts to which cities and towns are entitled to receive and do receive from state revenues (from the General Fund or Highway Fund, for example) to the extent provided for by statute. Some are non-appropriated amounts, limited only by the availability of the revenues earmarked for this purpose. The major distribution item is Chapter 70 - School Aid - which was estimated to be $353.1 million in fiscal 1977. By statute, growth in the Special Education program limits or reduces the amount available for Chapter 70.

A reimbursement is generally an amount that the state has statutorily committed itself to pay local communities for certain expenditures incurred for particular categorical programs or for the loss of local tax revenue resulting from certain state actions. These reimbursements, however, as many of you fully realize, are subject to further action by the Governor and the General Court. Before these amounts can be paid, they must be appropriated through specific legislative budgetary action. Without an appropriation, no funds may be transmitted to communities under these programs.

One of the things that continually plagues us in the Department and creates ill feeling with local officials is the fact that other agencies (not realizing the limitations imposed by revenue availability and appropriation necessity)

# 4.00 Property Taxation*

## 4.01 Introduction

This Handbook is meant for finance committee members, not assessors or collectors or treasurers. This chapter sketches only the little that finance committee members ought to know about municipal taxation. State taxation and grants are tackled in the following chapter. Since the finance committee works its wonders primarily to keep the municipal property taxes within reason, it should have a feel for the mechanics of assessing and collecting them.

## 4.02 Assessments

Theoretically, on January 1, of each year the assessors examine every property in the town and assess it at its full and fair cash value. In practice, assessments are apt to stay the same for a number of years until there is a revaluation of the whole town or until properties are sold. It is required that the price for real property be stated in the deed. Also even a second grader can compute the sale price from the Massachusetts documentary stamps on the deed. Assessments are usually highest for properties which have been sold in recent years, giving a distinct benefit to those who have lived in town a long while. Modern assessment techniques should be employed so that all properties are assessed at or near their correct values. This has been a serious problem in the Commonwealth and most other states for a century. Many are making a valiant effort to bring assessments up to fair value since most use equalized valuation figures for state grants and county taxes.

## 4.03 What Is Not Locally Assessed

All property is supposedly subject to taxation except personal property of non-residents which is only temporarily in this state. In some instances mortgages or leaseholds can be taxed. Real estate of the Commonwealth or of a municipality which is not used for a public purpose may be taxed. Telephone and telegraph company property is assessed by the Commonwealth. Property owned by charities and other governments are exempt along with either a dollar figure deducted from the assessment or from the tax to certain poor and elderly persons. Property installed to limit pollution is exempt.

## 4.04 Methods of Assessments

The assessors must use standard books and their entries are public records. Some towns require assessments to be published every few years. This tends to prevent inequalities among persons with similar property. The books should contain exempt property with its valuation to tell the voters what property is getting a free ride. The lists make sure that nobody has been omitted. They should be published with street addresses instead of block numbers and both land and building valuations. Abatements should be published, too.

## 4.05 Appeals from Assessments

The assessors are not always right! A taxpayer may within a short period from receiving his tax bill apply for an abatement. If there is no relief before the assessors, he may appeal to the Board of Tax Appeals and then to the Supreme Judicial Court.

## 4.06 Assessments of Special Kinds of Property

Farmers can pay taxes on assessments based on the value of the land for farming.

Certified forest land is assessed only on the value of the timber which is cut from it. Automobiles are assessed at a figure shown on a "blue book" of used car prices. The tax bills are prepared by the Registry of Motor Vehicles at an average tax rate throughout the Commonwealth, ($66. per $1,000 in 1974). The billls are sent out by the towns and the taxes paid are retained by the towns.

## 4.07 Personal Property

Technically all personal property is subject to taxation subject to an exemption of $5,000. for household furniture and effects including jewelry, TV sets and the like. Boats are exempt only if used in a business. Some towns omit assess-

*Massachusetts Finance Committee Handbook, 1975 Edition.

ment on boats to increase the yachting trade. Boston taxes office furniture of commuters to improve its poor position on the tax scale. House trailers pay $6./$1,000/month.

## 1.08 The Tax Levy

There are two tax rates - the school rate and the general rate. They appear on the same tax bill and are lumped for payment. A good finance committee should be able to estimate the aggregate tax rate within a few dimes on information available to it. (Ch. 59, Sec. 23) The tax rate is computed by adding:

(1) All amounts appropriated, granted or lawfully expended . . . since the "last preceding annual assessment" . . . , all amounts required by law to be raised by taxation (i.e. appropriations) . . . debt and interest charges (if not appropriated), . . . judgments . . . abatements over the overlay, (omitting borrowings) less

(2) These deductions:
   (a) Estimated receipts excluding highway funds, loans and taxes but including the excise tax on automobiles and the amount due from the state as shown on the Cherry sheet,
   (b) Appropriations from available funds for the purpose of deduction and
   (c) All other appropriations voted from available funds.

## 1.09 The Overlay and the Overlay Reserve

In addition to the above amounts the assessors may include an amount, no larger than 5% of the tax levy, as a cushion to take care of breakage- so that the rate will come out to an even cent per thousand - and for non-collection of taxes. Whatever is not used in the overlay passes into the overlay reserve - (3.11)

Even though such things as judgments against the town, industrial accident board awards and county hospital charges will be automatically added to a tax levy without appropriation, (3.23) it is better to appropriate for every known liability at town meeting. For example, if bonds coming due are not included in the budget, someone, even including the finance committe, may obtain a false picture as to what the tax bill will look like and get reckless with appropriations.

## 4.10 Collecting the Tax

The tax bill should be in the mail by June 14th. If the assessment is changed, the bill should so notify the taxpayer. (Ch. 60, Sec. 3A) It is payable July 1 but the collection, by the collector (the assessors have no further control over it unless abatements have been applied for), is on a staggered basis. The first half of the tax plus all of the betterments bears interest at 8% unless it is paid by November 1 but computed from October 1. The balance of the tax bill goes on interest May 1 computed from April 1. On February 1 notices are sent out showing the amount of tax which will go on interest on May 1st. (12.03)

Unless the April taxes are actually in hand by June 30th they can't be counted for certified Free Cash.

## 4.11 The Free Ride Problem

Inherent in the January 1st tax assessment system is what happens between January 2nd and December 31st. Most properties have only a little value until they are ready for occupancy so that a house which is completed in February will have nearly a free ride that year for assessments, or if the tax is considered as "earned" during the period for which it is levied, until a year from June 30th. A 70 year old person who owns a house on January 1st and the person who buys it get a year's exception on the first $4,000. of value even though it is sold on January 2nd. Before the fiscal year change the gap was not so long. With computer assistance, if the law is changed, assessors should be able to handle assessments on a current basis. Possibly the assessment date will be changed.

## 4.12 Special Assessment Dates

See regional school district budgets (9.13)

Assessments for maintenance of county hospitals are made in May so that they can be included in the tax bills due out by June 14th. They will seldom be ready for town meeting appropriation. The town accountant must notify the assessors by May 1st in each year what debt will be coming due in the next fiscal year.

## 4.13 The State and County Tax

Until the mid-forties, towns collected a property tax which had to be sent to the State. While this is still in the books, there have been generally net payments from State collected income tax and sales taxes to the towns, not the other way around.

The expenses of courts, jails, and other county responsibilities except hospitals are submitted to the county commissioners by the head of each institution by December 15th itemizing anything over $1,000. They add a receipt estimate and a "statement of corresponding appropriations" for four years "explaining any difference." One of the selectmen of each town sits on a county advisory board and his vote is weighted to show his town's proportion of the total county assessment. This board meets and makes recommendations to the Director of Accounts and to the county commissioners, very like a finance committee. The board may meet as a group or by an executive board including half of the total vote. The budget is actually adopted by the Legislature and the town's share, called the County Tax, is withheld in the Cherry Sheet. (5.15)

## 4.14 Efforts at Tax Reform

The author is co-counsel for Sudbury and others in a suit in the Supreme Judicial Court against the Commissioner of Corporations to require him to see to it that local assessors obey the oath of office. It is anticipated that the suit and changes in legislation will soon force fair assessments throughout the Commonwealth so that all municipalities will receive an equalized and proper State grants and pay a fair amount of the county tax. Property tax reform has many other aspects but proper assessment is a prerequisite. Two states have taken over the entire assessing function but that is a poor way to proceed. Probably appointed, professionally trained assessors are in the cards.

## 4.15 Exemptions

A disturbing trend is the willingness of the Legislature to grant exemptions from real property taxation to the elderly, most veterans, veteran groups, many municipal employees and many regardless of need (Ch. 59, Sec. 5, 10th-40th). Now any person 65 or older who has lived in the State, and who got less than 20 grand last year can defer all his taxes until the death of himself and his wife, with 8% interest. Joint owners and mortgagee banks have to agree to it. The town, on a 2/3 vote, may borrow for three years to offset the taxes lost by the new act. (Ch. 59, Sec. 5, 41stA) The town's lien is only up to 50% of the value; the town absorbs the rest.

Agriculture land, in hunks of at least five acres which produced $500. per year for two years, can be taxed as raw land. If sold within ten years, there is a "conveyance tax" of 10% to 1%. If it fails to qualify, five years taxes are collected. The town gets a first refusal. (Ch. 61A)

## 4.16 State Assessment System

For a small hourly charge a number of towns get assistance for their assessors through the adoption of the State assessment system (Ch. 58, Sec. 7A) which may be rescinded. The Bureau of Local Assessment will help the town with a mapping or revaluation program, will furnish experts in appraising utilities, shopping centers and other difficult projects, will check assessment procedures and will modernize office procedures. This program has not, however, been growing recently.

## 4.17 Equalized Valuations

Even with assessment improvement, there will be variations from full and fair cash value. The Tax Commission each even year makes studies and comes up with an equalized tax list, municipality by municipality. As of 1959, only two towns were at full and fair cash value and the median was around 30%. Now around 60% of municipalities have increased assessments close to what they should be and these changed only a little on the equalized list. Equalized valuations certified by the Commissioners are used rather than the assessors' figures in state statutes giving authority to incur debt and the like, in assessments for county taxes and for grants to municipalities. It should be a matter of pride to a town that its equalized value is very close to the actual values of assessors. (11.09)

## 4.18 Present Assessing Problems

Many people mistakingly believe that they are getting a break with poor assessing and are willing to live with it. Politicians and big landowners often conspire to pressure assessors to grant "breaks". Most raw land is underassessed by up to 100%. By taxing it at full value and taxing buildings, after an adequate allowance for depreciation (or at least taxing buildings no more by percentage than land), tax revenue is found and good development is produced.

If all property - idle and developed - were taxed at the percentage of the group bearing the highest tax, nearly twice the revenue would be produced. Now the tax levy is constrained by the screams of the top 25% who are relatively badly overassessed so the bottom 75% pay less than their fair share.

More money should be spent for assessors' salaries, computers, schools and a regionwide set of supervisors.

Publishing assessment lists, reappraisal reports, changes in them, and the results of abatements and appeals can do wonders for unfair or corrupt assessments.

## 4.19 Professional Revaluation

The assessing problem has been solved temporarily in a number of towns by employing outside professional assessing companies to revalue the town. These concerns usually produce maps and cards containing lots of data on each property. Their recommendations are advisory to the assessors and some towns have paid for revaluations but have not put them into effect. Such contracts may be paid for over a two year period. Other towns engage a professional assistant to the assessors who can do the job singlehanded over a two or three year period. The assessors have to put their necks out under either plan.

Towns would be well advised to accept Chapter 59 Section 21 A which permits an extra payment of 10% of regular compensation up to $500. for a part time assessor and one thousand dollars for a full time assessor if he completes special courses and becomes a "certified Massachusetts assessor". There is much to gain in having competent assessors.

Legislation is pending to authorize groups of towns to form assessing districts and for the appointment, training, certification and tenure of assessors. A larger State and regional supervisory staff is needed to help assessors know their jobs and to resist local pressures.

# 5.00 State Taxes and Grants

## 5.01 Introduction

This chapter will tell how the Commonwealth gets money from its taxpayers and how it returns some of it to municipalities. School grants are discussed in Ch. 9.00. The system of grants has grown like Topsy and there is much wrong with it despite improvements in 1974.

## 5.02

According to "Massachusetts Tax Primer," 1973 Edition, (Massachusetts Taxpayer's Foundation), of $30.3 Billion earned in Massachusetts, Uncle Sam, the State and municipalities took $11.4 Billion leaving 62% or $18.9 Billion to be spent by the citizens. Massachusetts was sixth nationwide for per capita taxes at $549. but it was only 14th in proportion of taxes to personal income. It ranked 46th in expenditure for higher education (being blessed with a number of private institutions) but ranked third for fire protection and public welfare, health and hospital and police. It raised little from assessments for services, tuitions, fees and the like.

It was 7th in its reliance on the local property tax and fourth lowest in the amount of state aid given. Massachusetts property taxes exceed the national growth rate but business carried only an average tax load. Electric utilities and insurance taxes, however, are heavy. Unemployment taxes are especially burdensome. The sales tax is one of the very smallest of any state so that it produces only 5% of total taxes levied compared with 19% for the average state. Property taxes in Massachusetts were 56% of the combined taxes levied by State and municipalities compared to 40% in the average state.

Excise taxes are higher on cars and lower on trucks.

## 5.03 The Pattern of Government

Massachusetts differs from most states in the fact that the cities and towns have a great number of powers which, in other states, are divided among special districts. In Massachusetts, towns control schools as well as many other functions. Only the 351 cities and towns and 81 special districts have the power to levy taxes. The cost of county government, the Metropolitan District Commission, the MBTA and other special purpose districts are charged to the towns. Assessments levied against towns are of three types. (1) Those determined on the "State Tax Apportionment Basis", (2) those designed by a particular district, authority or program and (3) those which are reimbursement for services rendered by the State.

Under the first class are the state tax, if one is levied, the county tax, county hospitals, Metropolitan District Commission charges, and a number of others. Recently there has been no distribution on the valuation formula.

Among charges for services rendered are water, sewerage, audit service, health insurance, excise tax bills and others. Regional school charges are assessed. Fire, water, sewer and similar districts are authorized to levy taxes at their own rates to be collected by the member communities.

## 5.04 The Growth of State Taxes

The Corporate Franchise Tax levied by the State is returned in part to towns to replace property taxes on corporations. The personal income tax is mostly returned to the towns. These were replacements for money which the towns would have had in any event. The corporation tax after deduction of administrative cost is distributed as a $9 million repacement for loss of taxes on machinery which had been taxable locally, and the balance if any on the State tax apportionment basis.

## 5.05 Appropriated Reimbursements

Among appropriated reimbursements are veterans benefits, conservation, public libraries, urban renewal, school transportation, education of special students, retirement pensions, school construction and school lunch programs.

## 5.06 Special Education Distribution

Under Chapter 766, for handicapped students there will be heavy municipal expense. The sums over the average cost of education of a child in that community will be reimbursed by the State,

out of monies which would otherwise be paid under Chapter 70, School Aid. $26 million will be advanced in 1975 from sums due after that.

Any balance remaining in the available funds after the machinery, special education and school aid distributions is distributed on the State tax apportionment basis but, beginning in 1972, there has been no balance.

## 5.07 Excise Tax Distributions

From part of the proceeds of 4¢ of the cigarette excise credited to the general fund for transportation purposes, municipalities receive the school transportation allowance.

## 5.08 The Highway Fund

After many years, there is no longer any Chapter 81 Highway Maintenance Program and the Chapter 90 program of matching reimbursements between the State, the counties and the towns has been modified so much that it is unrecognizable. Acts 1972, Ch. 765 granted $50 million of bond authorization to be applied through FY 1977. The amounts available to towns are already known through that year and the monies may be reimbursed to towns upon application. There is no longer any requirement that either the county or the town match any portion of the State funds. The State Department of Public Works participates in each program and must approve an expense for highway use prior to reimbursement. Many counties still have funds available for highway purpose and should be approached so long as they last.

Towns can even now expend monies allocated for fiscal years ending in 1975, 1976 and 1977. Towns can borrow in anticipation of these grants, outside the debt limit, the notes to run two years. Monies have to be appropriated unless borrowed since the State only reimburses towns. Unless notes are outstanding, the monies received go to the excess and deficiency account. In addition, Acts 1974, Ch. 825, a package transportation bill, gave a large sum to the MBTA and, as a balance, $25 million to towns outside the MBTA area which can be used in any fashion the towns wish and $20 million to be used only for highway purposes. Acts 1973, Ch. 1140 divided $25 million among towns for highway purposes. The one cent gas increase is now permanent and the proceeds are divided among towns for highways. These acts will probably put the counties out of the highway business. Gas tax money is deducted on the Cherry Sheet so has been "spent." Ch. 1140 and Ch. 325, Sec. 1 monies have to be appropriated (and town officials must certify to the D.P.W. how much will be spent on highways.) In 1976, Ch. 825, Sec. 3 monies will be on the Cherry Sheet. Once the amount to be received is known, it can be borrowed.

## 5.09 The Recapitulation Sheet

The assessors annually file with the Commissioner a formidable big sheet (State Form 31-5) (Hobbs & Warren 1125) to beseech his approval for a tax rate. The form has a section for amounts appropriated or to be added to the rate in any event, less certain grants. It then cranks in the County tax and State assessments plus overlay. 20 kinds of estimated receipts and available funds are shown. The total assessments and proposed tax-rate are computed. This Association will supply this blank form on request.

## 5.10 Miscellaneous Grants

The state lottery law has a local aid formula which distributes the net profits to towns. The formula compares the equalized valuation per capita of each town to the state average. The beano distribution is like the lottery.

Other reimbursements of local expenses are for airport construction, land reclamation to promote public health, watershed protection, water pollution control, forest fire prevention, regional health districts and animal inspectors.

The following is a summary of distributions and reimbursements to cities and towns excluding highway aid for twelve months of 1973 (in millions): Machinery basis - $18., special education $20.3, school aid $307.5, and other $5.3 (State pensions for teachers are many more millions.) The following were appropriated reimbursements, on the same basis: education (13 programs) $96.1, welfare (6 programs) $2.4 and other - $30.4.

Also distributed were: special highway fund $25.1, cigarette excise $2.3, urban redevelopment $13.6, lottery $31.5, beano $1.1.

## 5.11 How the State gets its Money

The general fund in 1975 will come (in millions) $1,932. from State taxes, from Federal sources $568. and from other State sources $209.

State appropriations will be $2,056. for state purposes and $679. for municipalities. The fiscal year 1975 budget estimates that the revenue available to the State under present taxes will increase at 8% for three years while expenditures will increase by 11% including a 10% increase in distributions to cities and towns and a 13% increase in education expense.

## 5.12 FY 1975 Increases

Most towns were gleeful to find increases in 1975 estimated receipts. These were belated payments of school trasportation and police incentive pay items, the special education grant, and adjustment in the guaranteed amount of school aid and more from the lottery, which pays it twice a year.

There are some new assessments, such as the cost of new pupils sent to special schools.

## 5.13 State Aid System Changes

In 1974 the Legislature corrected at least the following abberrations in tax distribution formulae:

A. The machinery distribution is now based on up to date equalized valuations.

B. School construction grants are now at least 50% of the total cost for richer towns up to 65% for the poor towns. These include that percentage of the interest cost as well as the principal on school bonds. Regional school construction aid will range from 60% to 75%. (9.18)

C. The State agreed to pay taxes lost by towns in which it acquired land. A court held that improvements to the land, such as roads and drainage, should be included. Now reimbursement for lost taxes will be made only on the raw land valuation.

D. The bonus for entering a regional school district, once 15% of all school aid, was often a gift to some towns. Now, to restore the equalizing factor, this will be 50% for partial regional school districts and 70% for school districts with classes from kindergarten to grade 12. There is no aid for a few districts which fail to actually operate schools satisfactorily. 65% is given for vocational students over the 12th grade. (Ch. 79, Sec. 9) There is a grandfather clause. (9.13)

E. Through a typing error, 300 cities and towns failed to get their share of a formula under which $24 million is distributed under the gas tax increase. This has been corrected and uses current valuations. Boston is the chief beneficiary.

F. The State Tax apportionment formula for the most recent year (1972) will be used for county assessment rather than those of the 1945 and 1961 valuations.

G. The lottery distribution will use current equalized valuations.

H. The Local Aid Fund was increased to $396,400,000. for fiscal 1975 and $452,000,000. for fiscal 1976. Thereafter it will grow as the Sales Tax grows.

I. The order of priority of payments from the Local Aid Fund is:

| | *Date of payment* |
|---|---|
| a. Special education | November 20th |
| b. Ch. 70 School | 25% per quarter |
| c. Balance on State Tax Apportionment Basis | Dec. 31, June 30 |

J. State grants for shellfish have to be matched locally and open to all citizens.

K. Bicentenial grants totalling $2.5 million are likewise matched locally.

L. 50% reimbursement grants for educational T. V. - $250,000 maximum.

## 5.14 The Cherry Sheet

By March 1st of each year the State Tax Commission prepares and delivers to each municipality a large sheet which was once cherry colored. On the left side the Commissioner informs the town of the assessments and charges it must pay to or for other levels of government during the year, the total of which must be included in the local tax levy. On the right side the State Tax Commission estimates the funds which the city or town will receive from the State under the above programs, the total of which is used to reduce the amount which must be raised by local property taxation. There are other transfers of funds between local governments and regional school districts or special purpose districts which are local arrangements and there are a few state-aid programs such as

certain kinds of highway aid which are not shown. A copy of the cherry sheet is mailed to the chairman of the finance committee. In 1973 there was an amended cherry sheet and in 1974 there will be a supplemental one to show $26 million advance reimbursement of special education aid. The following items on the cherry sheet are reserved for direct expenditure and may not be used to reduce the general town expense: school construction, school lunches, libraries, racial imbalance program and water pollution.

## 5.15 Payment of State Grants

State payments from the General Fund (Chap. 58, Sec. 18 A) is $396.4 Million plus the annual increase on the sales tax payable March 31, and September 30.

Special Education, Chapters 69 and 71, November 20. Education, Chapter 70 - 25% each quarter, subject to pro-rata diminution.

Valuation (if used) 10% March 31, 50% June 30, 10% September 30 and 30% December 31. Lottery - December, Gas tax December, cigarette tax November 20th.

Summary of charges. The left side of the Cherry sheet includes the following: County tax, county hospital, state recreation areas, audit of municipal accounts, examination of retirement system, metropolitan parks, sewerage and water and expenses, MBTA, mosquito control, health insurance, for retirees, air pollution control, motor vehicle excise tax billing, MAPC, Old Colony Planning Council, Steamship Authority. State Assessment System, shellfish, Ipswich River Watershed. (Of course some towns do not share in these.)

## 5.16 The Estimated Receipt Summary

Among the items which appear on the right side of the cherry sheet are:

A. General Fund appropriated reimbursement program:
   1. Suffolk Courthouse
   2. Veterans Benefits
   3. State owned land
   4. Abatements to Veterans
   5. Abatements to Widows
   6. In lieu of Boston Taxes
   7. School transportation
   8. Outside school transportation
   9. Deaf and blind pupils
   10. Retired teachers
   11. School contruction
   12. Stabilization fund school construction
   13. School lunch
   14. Regional libraries
   15. Public libraries
   16. Vocational education
   17. Regional school district aid
   18. Racial imbalance program
   19. Natural resources - self help
   20. Water pollution
   21. Youth service board
   22. Urban renewal (U. S.)
   23. Urban renewal (not U. S.)
   24. School transportation
   25. Premature infants
   26. Animal inspector
   27. Elderly lunch program
   28. Police career incentive pay
   29. Educational TV
   30. Census
   31. Racial imbalance

B. General Fund Distributions
   1. Machinery basis
   2. Special education
   3. School aid Chapter 70
   4. Adjustment in guaranteed amount of school aid
   5. Special education extra aid

C. Agency Fund Distributions
   1. Cigarette Excise, school transportation
   2. Urban Redevelopment Corporation excise
   3. Beano

D. Highway Fund Distribution

E. Lottery

## 5.17 Inequities in Aid Formulas

The principal reason for low assessments in the face of the Constitution and Statutes, is that by pretending to have a low valuation, towns can can get more money than they could if they honestly assessed their property. Except insofar as the state tax commission can discover and correct such assessments, the ploy works. If assessments are customarily at 100%, and if some assessments are at 110%, there will be howls. If they go much below, there will probably be no howls. The number of complaints will then tell assessors how close they are to the state's norm. Once

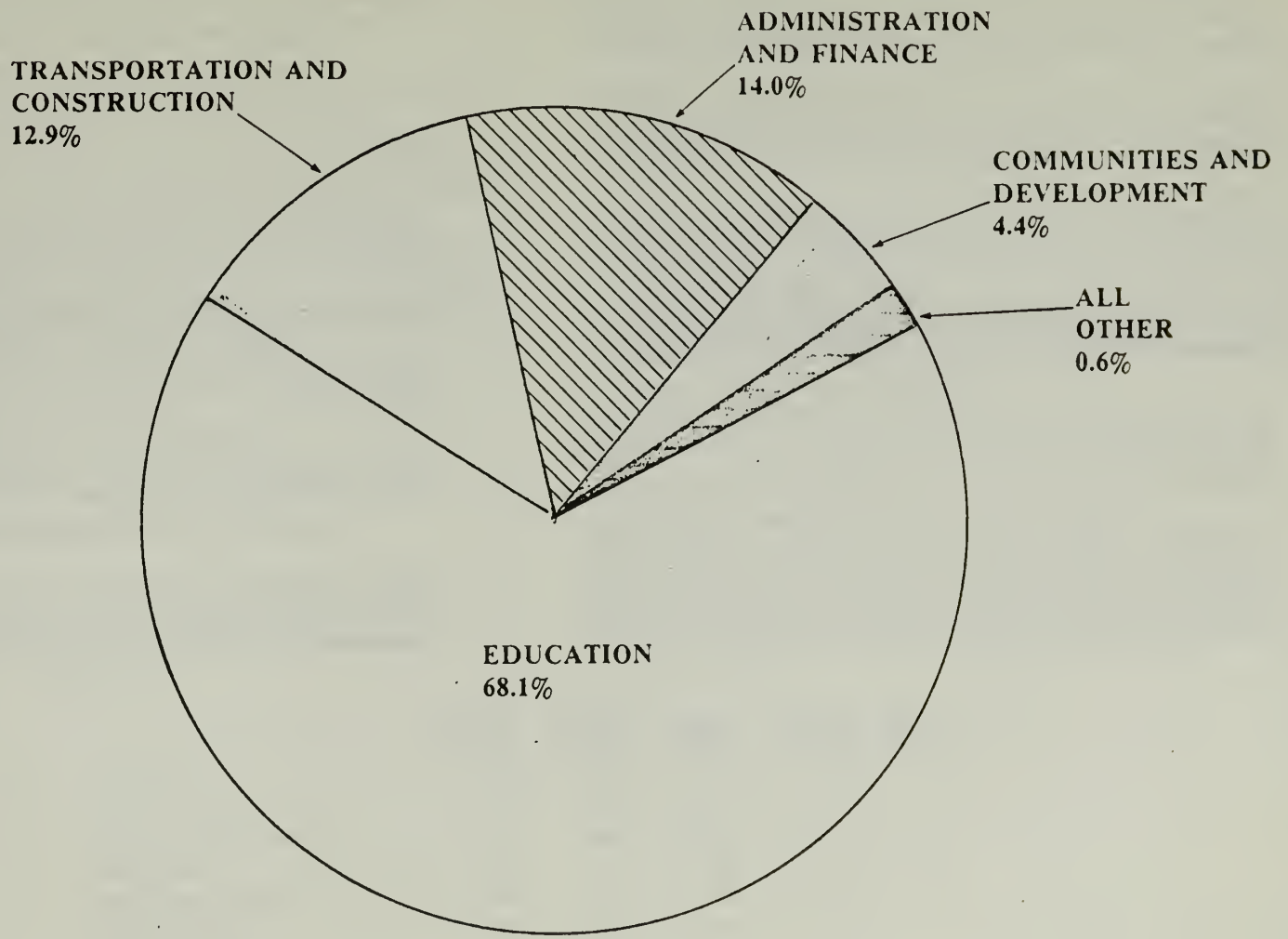
assessments are properly made, the necessary equities to take care of the old and impoverished real estate taxpayers can be accomplished. In 26 states there are "circuit-breaker" laws allowing, for example, real property taxpayers who pay more than 1% of their family income for property taxes to take the extra, up to some maximum like $500. per year, off from their state income tax. If they are really poor, the state will reimburse them the part they could not deduct from their tax returns. Unless some maxima are built into circuit-breaker laws, the property tax is shifted entirely to the state level. However, this is not the best way to take care of people on subsistance incomes. Some argue that the public good is served by forcing elderly people in large houses to move to more modest quarters. In Massachusetts the trouble is they move to Florida or northern New England! Of course the State has to find the money somewhere to replace the sums deducted from the income tax.

## 5.18 Inadequate School Funding

The highest courts of several states have held that the method by which the state provides an education to its citizens is unconstitutional where based largely on local property taxes. Despite the reversal of a Texas decision by the United States Supreme Court (the "Rodriguez case"), it appears that state courts can use their own constitutions to enforce proper state taxation for education. This often will require a property tax assessed by the state or assessed and collected by the municipalities and put into a large pot on a state or county basis from which it will be distributed on a weighted basis depending on age and needs of children in the various school systems. Many authorities say that up to 90% of funds spent for schools should be collected from the state as a whole (by either of the above systems), leaving the towns free to impose an additional 10% or more if they wish extra educational services. The thrust of these cases is that the central core cities, with tax rates twice as high as those in the suburbs, still cannot raise as much money per capita as the suburbs so that the cost of the education of inner city children has to be lower than those in the suburbs. Any further tax increase will simply lead to abandonments. Those states which, like Massachusetts, have public education included as a major purpose in the state constitution will probably have to develop new tax systems for schools. There are similar arguments for the cost of other services including protection and transportation which are higher for the inner city. There is also a need to redress the imbalance between the property tax and other taxes which has plagued Massachusetts for many decades. The sales tax must be made a proper sales tax and the income tax and other taxes brought in to redress the balance. This Association, though composed of towns, should not prevent needed reform in school finance which will benefit cities more. If the school finance problem is controlled, most of the other municipal problems will be twice as easy to solve.

# EXECUTIVE BUDGET RECOMMENDATIONS FOR LOCAL AID IN FISCAL YEAR 1978

# LOCAL AID




| OPERATING EXPENSE | DIRECT & MED. ASST. | LOCAL AID | NON-AGENCY |
|---|---|---|---|
| 29.4% | 30.5% | 25.0% | 15.0% |

PERCENTAGE OF STATE BUDGET

## SUMMARY OF LOCAL AID

(000's omitted)

| | 1976 Appropriations | 1976 Expenses | 1977 Appropriations | 1978 Governor's Recommended | % of State Budget |
|---|---|---|---|---|---|
| Judiciary | $ 1,082 | $ 957 | $ 1,042 | $ 1,057 | 0.03 |
| Treasurer | — | 44,346 | — | — | — |
| Administration and Finance | 120,684 | 121,129 | 137,725 | 144,038 | 3.50 |
| Environmental Affairs | 1,358 | 1,358 | 1,353 | 1,340 | .03 |
| Communities and Development | 47,848 | 57,456 | 36,883 | 44,830 | 1.09 |
| Human Services | 13,020 | 3,369 | 7,310 | 5,225 | .13 |
| Transportation and Construction | 57,518 | 156,480 | 122,594 | 133,073 | 3.23 |
| Educational Affairs | 673,766 | 670,141 | 694,792 | 698,136 | 16.96 |
| Elder Affairs | 100 | 100 | 100 | 100 | |
| **Total** | **$ 915,376** | **$1,055,336** | **$1,001,799** | **$1,027,799** | **24.97%** |

### LOCAL AID

The local aid recommendations summarized above and detailed below demonstrate clearly a continuing commitment to the cities and towns of the Commonwealth. As was true in the 1977 Fiscal Year, over one billion dollars — or one quarter of the total recommended state budget — will be paid directly to the cities and towns or to regions, authorities or others on behalf of local functions.

The highlights of the local aid recommendations for the 1978 Fiscal Year are:

-- The total local aid recommended is $1,027,798,542, which is $26 million more than was appropriated for the 1977 Fiscal Year, not including a recommendation to appropriate $8 million to begin the assumption of court costs and the distribution of approximately $12 million in numbers game money to the cities and towns.

— The recommended increase in local aid of $26 million is higher than the recommended increase for the operation of all state agencies of $23.8 million, $8 million of which is a reserve for beginning the assumption of court costs now paid by the cities and towns.

— Local aid recommendations do not include amounts to be distributed to cities and towns from the lottery, beano, and the so-called numbers game.

— The receipts from the numbers game, which the State Lottery Commission estimates to be approximately $12 million and which were used in the 1977 Fiscal Year by the State to help fund a larger amount of school aid to the cities and towns, will be distributed to the localities as provided by the law which allowed such use by the State for the one year.

— Local aid paid directly to cities and towns, regions, districts and the M.B.T.A. for reduction in local property taxes is recommended to be increased in total by $10 million.

— The state share of teachers' retirement payments will increase by $4.2 million.

— Assistance for local housing programs will increase by $7.8 million.

— Other highway and transportation assistance will increase by $3.8 million.

— Highway and transportation development aid to cities and towns outside the M.B.T.A. area is recommended to be continued at $18.5 million.

Of the total of $1,027.8 million in local aid recommended in this budget, $820.7 million — or 79.9% — will be expended for a variety of programs related to local elementary and secondary education. The remainder will be expended to reimburse communities for a portion of veterans' benefits paid; for the loss of taxes because of state-owned land or property tax abatements granted certain veterans, widows and blind persons; for the support of local housing projects for the elderly, veterans and low income families; for assistance to the Massachusetts Bay Transportation Authority; and for other programs.

State assistance in these many areas is obviously important in achieving the various program objectives. But, it is equally important because of its effect on local property tax rates. Translated into such terms, $1,027.8 million in local aid is equal to slightly more than two-fifths of the total taxes levied on real and personal property. Or, to put it differently, if this local aid were not used directly or indirectly to reduce local property taxes, those taxes would be an average of $32 per $1,000 of valuation higher.

Perhaps the best way to compare the local aid recommendations of this budget with local aid of current and prior years, is to identify separately aid paid directly to cities and towns and certified on "Cherry Sheets", aid paid to regions, and aid paid to authorities and others. This is done in the table on the following page.

Local aid paid directly to cities and towns is compared by program and in total for the 1976, 1977 and 1978 Fiscal Years. In addition, the amount paid in 1976 is divided between the amounts actually owed for 1976 and the amounts paid in that year on account of deficiencies owed for prior years. (These amounts were appropriated in the State's 1975 Fiscal Year.)

From this comparison, it will be seen that local aid paid directly to cities and towns for the 1978 Fiscal Year is recommended to be almost exactly the same in total as for the 1977 Fiscal Year -- $698.3 million in 1978 compared with $698.2 million in 1977. These amounts are approximately $26 million over the amount paid in 1976, not including the deficiencies for prior years.

Similarly, the amounts paid directly to regions, which for the first time will be certified to regional school districts and to their member cities and towns on "Regional Cherry Sheets" for 1978, will remain approximately the same $83.8 million in 1978 and $83.5 million in 1977. These amounts are slightly higher than amounts paid to regions in 1976, not including prior year deficiencies.

However, it should be emphasized that while the totals remain approximately the same, the amounts due each city or town may change from 1977 to 1978.

Local aid paid to authorities and others will increase by $23.4 million: $4.2 million in teachers' retirement payments; $7.8 million in housing program assistance; and, $11.4 million in highway and transportation aid.

The policy of level-funding aid to cities and towns and to regions represents, for the second year, a forthright decision for the state to maintain basically the same level of local aid while at the same time cutting back where possible on state costs in order for the state to live within its means.

Since $704 million — or 90% — of the $782 million which is paid to cities and,towns or to regions is in the form of educational aid, level-funding obviously has the greatest effect on such programs. For Fiscal Year 1978, in contrast to Fiscal Year 1977, the recommendations are based on reducing reimbursements for certain programs which are not directly related to educational programs — for example, school transportation and regional school aid — rather than pro-rating all reimbursements back to the amount available.

The school aid distribution is recommended to be funded at $453 million, the amount required by statute, which is $1 million more than was certified for the 1977 Fiscal Year. The amount of this distribution did not grow to the extent that it has in previous years because it is tied to the percentage increase in the receipts from the sales tax which did not increase as in past years. Within this total distribution, however, it should be noted that special education is costing an increasingly larger percentage of the total — 13% in 1976; 31% in 1977, and, 37% in 1978. Since reimbursements for bi-lingual and special education programs are paid out of the total distribution first, this results in Chapter 70 "entitlements" being pro-rated at lower and lower percentages.

Finally, State local aid expenditures and distributions which, heretofore, have not been appropriated but nonetheless are shown as State expenditures at the close of the Fiscal Year, are recommended to be appropriated in this budget. These include: (1) the distribution of one cent of the motor fuels tax from the Highway Fund; and (2) the payments for mass transportation on common carriers which were formerly paid from the Cigarette Tax Agency Fund and the Mass Transportation Fund, but are now paid directly from the General Fund. This leaves two items which are estimated and certified on the "Cherry Sheets" but which are not appropriated: (1) the distribution of lottery, beano and numbers game receipts; and, (2) the distribution of the urban renewal excise collected by the State.

| | 1976 Fiscal Year | | | 1977 Fiscal Year | 1978 Fiscal Year |
|---|---|---|---|---|---|
| | Total | Deficiencies Prior Years | 1976 Amount | | |
| **LOCAL AID DIRECTLY TO CITIES AND TOWNS** | | | | | |
| **General Fund, Reimbursements** | | | | | |
| Education Programs: | | | | | |
| Vocational Education | $ 22.6 | $ 1.7 | $ 20.9 | $ 18.8 | $ 18.3 |
| School Construction | 107.4 | 33.2 | 74.2 | 79.5 | 90.4 |
| Racial Imbalance | 14.0 | — | 14.0 | 14.3 | 15.1 |
| School and Elderly Lunch and Breakfast | 5.7 | — | 5.7 | 6.5 | 7.8 |
| Public Libraries | 4.2 | — | 4.2 | 4.3 | 4.5 |
| Pension to Retired Teachers | 13.1 | 1.3 | 11.8 | 14.6 | 15.9 |
| Regional School Aid | 9.7 | 9.7 | — | — | — |
| School Transportation [1,4] | 48.8 | 7.2 | 41.6 | 36.7 | 25.9 |
| **Sub-total, Education** | $225.5 | $ 53.1 | $172.4 | $174.7 | $177.9 |
| Loss of Taxes, Abatements and State-owned Property | $ 18.7 | $0.2 | $ 18.5 | $ 18.7 | $ 19.6 |
| Urban Renewal Projects | 4.4 | — | 4.4 | 4.5 | 4.5 |
| Veterans' Benefits | 3.4 | — | 3.4 | 7.3 | 5.2 |
| Others | 4.0 | 1.4 | 2.6 | 3.4 | 3.2 |
| **Sub-total, All Reimbursements** | $256.0 | $ 54.7 | $201.3 | $208.6 | $210.4 |
| **General Fund, Appropriated Distributions** | | | | | |
| Education Programs: | | | | | |
| Bilingual Education | $ 2.3 | $ — | $ 2.3 | $ 4.0 | $ 4.0 |
| Special Education | 52.3 | — | 52.3 | 131.6 | 158.6 |
| School Aid | 367.5 | — | 367.5 | 308.0 | 280.3 |
| **Sub-total, Education** | $422.1 | $ — | $422.1 | $443.6 | $442.9 |
| Highway and Transportation Development | $ 20.0 | $ — | $ 20.0 | $ 21.0 | $ 19.7 |
| Suppression, Enemies of Shellfish [2] | 0.2 | — | 0.2 | 0.2 | 0.2 |
| **Sub-total, Distributions** | $442.3 | $ — | $442.3 | $464.8 | $462.8 |
| **Total, General Fund** | $697.9 | $ 54.7 | $643.2 | $673.4 | $673.2 |
| **Highway Fund, Appropriated Distributions** | | | | | |
| Chapter 81 and Chapter 90 Projects | $ 3.9 | $ — | $ 3.9 | $ — | $ — |
| Motor Fuels Tax [3] | 25.5 | — | 25.5 | 24.8 | 25.1 |
| **Total, Highway Fund** | $ 29.4 | $ — | $ 29.4 | $ 24.8 | $ 25.1 |
| **Total, Aid to Cities and Towns** | $727.7 | $ 54.7 | $673.0 | $698.2 | $698.3 |
| **LOCAL AID DIRECTLY TO REGIONS** | | | | | |
| **General Fund, Reimbursements** | | | | | |
| Education Programs: | | | | | |
| Vocational Education | $ 24.8 | $ 1.2 | $ 23.6 | $ 24.6 | $ 27.3 |
| School Construction | 26.7 | 5.5 | 21.2 | 20.5 | 20.6 |
| Racial Imbalance | 0.4 | — | 0.4 | 0.4 | 0.7 |
| School and Elderly Lunch and Breakfast | 1.0 | — | 1.0 | 1.0 | 1.4 |
| Public Libraries | 0.4 | — | 0.4 | 0.4 | 0.3 |
| Regional School Aid | 23.7 | — | 23.7 | 23.7 | 25.0 |
| School Transportation [1,4] | 14.1 | 2.7 | 11.4 | 12.0 | 7.8 |
| **Sub-total Education** | $ 91.1 | $ 9.4 | $ 81.7 | $82.6 | $83.1 |
| Others | $ 0.7 | $ — | $ 0.7 | $ 0.7 | $ 0.7 |
| **Sub-total, All Reimbursements** | $ 91.8 | $ 9.4 | $ 82.4 | $ 83.3 | $ 83.8 |
| **General Fund Distributions** | | | | | |
| Special Education | $ 4.9 | $ — | $ 4.9 | $ 8.4 | $ 10.1 |
| **Sub-total, Distributions** | $ 4.9 | $ — | $ 4.9 | $ 8.4 | $ 10.1 |
| **Total, Aid to Regions** | $ 96.7 | $ 9.4 | $ 87.3 | $ 91.7 | $ 93.9 |
| **LOCAL AID TO AUTHORITIES AND OTHERS** | | | | | |
| **General Fund, Reimbursements** | | | | | |
| Education Programs: | | | | | |
| Teachers' Retirement, State Share | $ 89.7 | $ — | $ 89.7 | $102.5 | $106.7 |
| **Sub-total, Education** | $ 89.7 | $ — | $ 89.7 | $102.5 | $106.7 |
| Housing Programs: | | | | | |
| Housing for Elderly | $ 19.0 | $ — | $ 19.0 | $ 0.1 | $ 0.1 |
| Veterans' Housing Projects | 12.9 | 4.4 | 8.5 | 4.1 | 4.1 |
| Low Income Housing | 0.5 | — | 0.5 | — | — |
| Rental Assistance, Low Income | 7.7 | — | 7.7 | 9.5 | 11.8 |
| Rental Reduction, Elderly | 3.9 | 1.2 | 2.7 | 2.9 | 4.1 |
| Veterans' Housing, Deficiencies | 9.8 | — | 9.8 | 7.8 | 9.9 |
| Extraordinary Maintenance | 0.3 | — | 0.3 | — | 0.5 |
| M.H.F.A. | 4.5 | — | 4.5 | 8.1 | 9.8 |
| **Sub-total, Housing** | $ 58.6 | $ 5.6 | 53.0 | $ 32.5 | $ 40.3 |
| Highway and Mass Transportation Programs: | | | | | |
| Debt Service Contract Assistance, M.B.T.A. [4] | $ 20.8 | $ — | $ 20.8 | $ 21.0 | $ 24.2 |
| Reimbursements, M.B.T.A., Excises [4] | 0.4 | — | 0.4 | 0.4 | 0.4 |
| Reimbursements, Common Carriers, Excises [4] | 0.7 | — | 0.7 | 0.8 | 0.8 |
| Contract Assistance, Regional Transit Authorities [4] | 0.8 | — | 0.8 | 2.1 | 2.9 |
| Contract Assistance, Special Buses [4] | 0.6 | — | 0.6 | 0.2 | — |
| Additional Contract Assistance, M.B.T.A. | 38.8 | — | 38.8 | 52.4 | 60.0 |
| **Sub-total, Highway and Mass Transportation** | $ 62.1 | $ — | $ 62.1 | $ 76.9 | $ 88.3 |
| **Total, Aid to Authorities, Others** | $207.4 | $ 5.6 | $204.8 | $211.9 | $235.3 |
| **GRAND TOTAL, LOCAL AID** | $1,035.0 | $ 69.7 | $965.3 | $1,001.8 | $1,027.8 |

1. School transportation reimbursements paid from Mass Transportation Fund in 1976 Fiscal Year, certain school transportation reimbursements not appropriated.
2. Distribution paid from Tourism and Industrial Development Fund in 1976 Fiscal Year.
3. Motor fuels tax distribution not appropriated in 1976 and 1977 Fiscal Years.
4. Certain Mass Transportation costs paid from Mass Transportation Fund in 1976 and 1977 Fiscal Years without appropriation.

| Item No. | Organization Unit | Fund | Citation of Statute | 1976 Approp. | 1976 Expenses | 1977 Approp. | 1978 Agency Req. | 1978 Sec'y Recom. | 1978 Gov. Recom. |
|---|---|---|---|---|---|---|---|---|---|
| | **LOCAL AID** | | | | | | | | |
| | **JUDICIARY** | | | | | | | | |
| 0301-3201 | Appeals Court Officers | | G.L.221, § § 73, 76 | $ 144,713 | $ 18,881 | $ 144,713 | $ 135,800 | | $ 135,800 |
| 0302-0303 | Counties, Compensation for special Justices | | G.L.212, § 14E | 15,000 | 14,858 | 15,000 | 40,000 | | 15,000 |
| 0312-0001 | Suffolk County Courthouse, maintenance | | 1935, 474 | 922,839 | 922,839 | 882,000 | 906,000 | | 906,000 |
| | | | | $ 1,082,552 | $ 956,578 | $ 1,041,713 | $ 1,081,800 | | $1,056,800 |
| | **EXECUTIVE** | | | | | | | | |
| 0432-0094 | Civil Defense 1975 | *—Federal* | — — —. — — — | *$ —* | *$ 82,749* | *$ —* | *$ —* | | *$ —* |
| 0432-0097 | Civil Defense 1976 | *—Federal* | .— — — — — — | — | *224,850* | *85,000* | — | | — |
| 0432-0104 | Federal reimbursement to cities and towns 1977 | *—Federal* | — — — — — — | — | — | *350,000* | — | | — |
| 0432-0105 | Federal reimbursement to cities and towns 1978 | *—Federal* | — — — — — — | — | — | — | *350,000* | | *350,000* |
| | **TREASURER AND RECEIVER-GENERAL** | | | | | | | | |
| 0640-2001 | Lottery distribution | *—Local Aid* | G.L.10, § 35; G.L.58, § 18C | $ — | $ 44,346,076 | $ — | $ — | | $ — |
| | **ADMINISTRATION AND FINANCE** | | | | | | | | |
| | **COMMISSIONER OF ADMINISTRATION** | | | | | | | | |
| 1100-1671 | Highway Safety Program, disbursements to cities and towns | *—Federal* | — — — — — — | *$ —* | *$ 858,009* | *$ 666,903* | *$ 725,000* | *$ 725,000* | *$ 725,000* |
| 1111-1002 | Reimbursements to cities and towns for pensions to retired teachers | | G.L.32, § 20 (2)(e) | 11,803,000 | 11,783,822 | 14,584,500 | 15,900,000 | 15,900,000 | 15,900,000 |
| 1111-1003 | Teachers' Retirement system — State's share | | G.L.32 | 89,200,000 | 89,664,214 | 102,540,900 | 103,190,000 | 106,740,000 | 106,740,000 |
| 1185-1000 | For payment of certain flood damage | | — — — — — — | — | — | 316,300 | — | — | — |
| | | —State | | $101,003,000 | $101,448,036 | $117,441,700 | $119,090,000 | $122,640,000 | $122,640,000 |
| | | *—Federal* | | *$ —* | *$ 858,009* | *$ 666,903* | *$ 725,000* | *$ 725,000* | *$ 725,000* |
| | **CORPORATIONS AND TAXATION** | | | | | | | | |
| 1233-1000 | Reimbursement for loss of taxes, state-owned property | | G.L.58, §§ 13-17A | $ 14,601,285 | $ 14,601,285 | $ 14,662,400 | $ 14,500,000 | $ 14,500,000 | $ 14,500,000 |
| 1233-1500 | Reimbursement for loss of taxes, land taken for flood control | | G.L.58, § 17B | 200,000 | 200,000 | 200,000 | 230,000 | 230,000 | 230,000 |
| 1233-2000 | Real estate abatements | | G.L.58, § 8A; G.L.59, § 5 | 3,300,000 | 3,300,000 | 3,434,917 | 4,560,000 | 4,560,000 | 4,560,000 |
| 1233-3000 | Government Center - Boston — in lieu of taxes | | 1960, 635 | 357,575 | 357,570 | 357,575 | 357,575 | 357,575 | 357,575 |
| 1233-3100 | Reimbursement for career incentive salary increases for police | | G.L.41, § 1081 | 1,221,964 | 1,221,964 | 1,628,257 | 1,750,000 | 1,750,000 | 1,750,000 |
| | | | | $ 19,680,824 | $ 19,680,819 | $ 20,283,149 | $ 21,397,575 | $ 21,397,575 | $ 21,397,575 |
| | **TOTAL, ADMINISTRATION AND FINANCE** | —State | | $120,683,824 | $121,128,855 | $137,724,849 | $140,487,575 | $144,037,575 | $144,037,575 |
| | | *—Federal* | | *$ —* | *$ 858,009* | *$ 666,903* | *$ 725,000* | *$ 725,000* | *$ 725,000* |

| Item No. | Organization Unit | Fund | Citation of Statute | 1976 Approp. | 1976 Expenses | 1977 Approp. | 1978 Agency Req. | 1978 Sec'y Recom. | 1978 Gov. Recom. |
|---|---|---|---|---|---|---|---|---|---|
| | **ENVIRONMENTAL AFFAIRS** | | | | | | | | |
| | **OFFICE OF THE SECRETARY** | | | | | | | | |
| 2030-9701 | Outdoor Recreation Projects, PL 88-576 | —*Federal* | — — — — — — | $ — | *$2,514,216* | *$4,400,000* | *$5,500,000* | *$5,000,000* | *$5,000,000* |
| | **ENVIRONMENTAL MANAGEMENT** | | | | | | | | |
| 2240-0600 | Commonwealth's share — water pollution control | | G.L.21, § 37 | $1,105,496 | $1,105,496 | $1,100,682 | $1,090,155 | $1,090,155 | $1,090,155 |
| | **DIVISION OF MARINE FISHERIES** | | | | | | | | |
| 2330-0600 | Suppression of enemies of shellfish and propagation | | G.L.130, § 20 | $ 250,000 | $ 249,999 | $ 250,000 | $ 250,000 | $ 250,000 | $ 250,000 |
| | **AGRICULTURE** | | | | | | | | |
| 2515-4000 | Compensation of inspectors of animals | | G.L.129, § 17 | $ 2,500 | $ 2,300 | $ 2,000 | $ — | $ — | $ — |
| | **TOTAL, ENVIRONMENTAL AFFAIRS** | —State | | $1,357,996 | $1,357,795 | $1,352,682 | $1,340,155 | $1,340,155 | $1,340,155 |
| | | —*Federal* | | *$ —* | *$2,514,216* | *$4,400,000* | *$5,500,000* | *$5,000,000* | *$5,000,000* |
| | **COMMUNITIES AND DEVELOPMENT** | | | | | | | | |
| | **DEPARTMENT OF COMMUNITY AFFAIRS** | | | | | | | | |
| | **DIVISION OF COMMUNITY DEVELOPMENT** | | | | | | | | |
| 3722-9001 | Housing for the elderly | | G.L.121B, § § 38-41 | $19,000,000 | $18,999,521 | $ 73,100 | $ 73,100 | $ 73,100 | $ 73,100 |
| 3722-9002 | Assistance for Veterans' housing projects | | G.L.121B, §§ 34-36 | 8,509,000 | 8,508,634 | 4,135,180 | 4,150,000 | 4,150,000 | 4,150,000 |
| 3722-9003 | Assistance for certain low income housing | | — — — — — — | — | 481,387 | — | — | — | — |
| 3722-9004 | Rental assistance for low income families | | G.L.121B, §§ 42-44 | 2,017,700 | 7,744,673 | 9,500,481 | 13,758,400 | 11,794,639 | 11,794,639 |
| 3722-9005 | Housing authorities for certain reduced rentals | | G.L.121B, § 40 | 2,000,000 | 2,699,024 | 2,900,181 | 6,122,500 | 4,108,500 | 4,108,500 |
| 3722-9006 | Housing authorities for certain operating deficits | | G.L.121B, §§ 5-32, 34-37 | 7,382,000 | 9,847,389 | 7,750,000 | 11,090,268 | 9,869,040 | 9,869,040 |
| 3722-9007 | Reserve for extraordinary maintenance of a housing authority | | — — — — — — | — | 305,248 | — | 3,000,000 | 500,000 | 500,000 |
| 3722-9101 | Federal aided urban renewal projects | | G.L.121B, §§ 54, 55 | 3,453,354 | 3,453,354 | 3,453,354 | 3,500,000 | 3,500,000 | 3,500,000 |
| 3722-9102 | Non-Federally aided urban renewal projects | | G.L.121B, §§ 54, 56, 57 | 985,849 | 916,914 | 985,000 | 1,000,000 | 985,000 | 985,000 |
| 3722-9201 | M.H.F.A. interest subsidy | | 1970, 855 | 4,500,000 | 4,500,000 | 8,085,500 | 10,500,000 | 9,825,000 | 9,825,000 |
| | | | | $47,847,903 | $57,456,144 | $36,882,796 | $53,194,268 | $44,805,279 | $44,805,279 |
| | **DIVISION OF COMMUNITY SERVICES** | | | | | | | | |
| 3732-3021 | Urban Planning Assistance Grants — P90 | —*Federal* | — — — — — — | *$ —* | *$ 10,134* | *$ —* | *$ —* | *$ —* | *$ —* |
| 3732-3034 | Low rent public housing in rural areas | —*Federal* | — — — — — — | — | *24,607* | — | — | — | — |
| 3735-9013 | Reimburse public agencies state share relocation costs state sanitary code | | 1973, 863 | — | — | — | 25,000 | 25,000 | 25,000 |
| | | —State | | $ — | $ — | $ — | $ 25,000 | $ 25,000 | $ 25,000 |
| | | —*Federal* | | *$ —* | *$ 34,741* | *$ —* | *$ —* | *$ —* | *$ —* |

| Item No. | Organization Unit | Fund | Citation of Statute | 1976 Approp. | 1976 Expenses | 1977 Approp. | 1978 Agency Req. | 1978 Sec'y Recom. | 1978 Gov. Recom. |
|---|---|---|---|---|---|---|---|---|---|
| | **COMMUNITIES AND DEVELOPMENT — *Concluded*** | | | | | | | | |
| | **TOTAL, COMMUNITIES AND DEVELOPMENT** | —State | | $47,847,903 | $57,456,144 | $36,882,796 | $53,219,268 | $44,830,279 | $44,830,279 |
| | | *—Federal* | | *$ —* | *$ 34,741* | *$ —* | *$ —* | *$ —* | *$ —* |
| | **HUMAN SERVICES** | | | | | | | | |
| | **MASSACHUSETTS REHABILITATION COMMISSION** | | | | | | | | |
| 4120-0020 | Vocational Rehabilitation | *—Federal* | — — — — — — | *$ —* | *$13,817,588* | *$14,000,000* | *$14,870,000* | *$14,870,000* | *$14,870,000* |
| | **VETERANS' SERVICES** | | | | | | | | |
| 4170-0400 | Veterans' benefits | | G.L.115, § 6 | $13,000,000 | $3,365,580 | $7,300,000 | $10,555,000 | $ 5,200,000 | $ 5,200,000 |
| 4170-0500 | Aid to needy dependents of veterans | | 1963, 537 | 20,000 | 3,800 | 10,000 | — | — | — |
| | | | | $13,020,000 | $3,369,380 | $7,310,000 | $10,555,000 | $ 5,200,000 | $ 5,200,000 |
| | **BUREAU OF HEALTH SERVICES** | | | | | | | | |
| 4513-2200 | Care of infants prematurely born | | — — — — — — | $ — | $ — | $ — | $ 25,000 | $ 25,000 | $ 25,000 |
| | **TOTAL, HUMAN SERVICES** | —State | | $13,020,000 | $3,369,380 | $7,310,000 | $10,580,000 | $ 5,225,000 | $ 5,225,000 |
| | | *—Federal* | | *$ —* | *$13,817,588* | *$14,000,000* | *$14,870,000* | *$14,870,000* | *$14,870,000* |
| | **TRANSPORTATION AND CONSTRUCTION** | | | | | | | | |
| 6030-0150 | National transportation study 1974 | *—Federal* | — — — — — — | *$ —* | *$ (25)* | *$ —* | *$ —* | *$ —* | *$ —* |
| 6005-0810 | Additional contract assistance to M.B.T.A., 1973 | | 1973, 1140, § 16 | — | 35,000,000 | — | — | — | — |
| 6005-0811 | Additional contract assistance to M.B.T.A. | | — — — — — — | 38,758,886 | 38,758,886 | 52,370,000 | 63,000,000 | 60,000,000 | 60,000,000 |
| 6005-0012 | Debt service contract assistance to M.B.T.A. | | — — — — — — | — | 20,815,903 | 21,000,000 | 24,200,000 | 24,200,000 | 24,200,000 |
| 6005-0811 | Reimbursement to M.B.T.A. — motor vehicles and fuel excises | | — — — — — — | — | 402,485 | 425,000 | 425,000 | 425,000 | 425,000 |
| 6005-0813 | Reimbursement of common carriers of passengers — motor vehicle and fuel excises | | — — — — — — | — | 694,563 | 800,000 | 775,000 | 775,000 | 775,000 |
| 6005-0815 | Contract assistance — regional transit authorities | | — — — — — — | — | 831,330 | 2,100,000 | 2,900,000 | 2,900,000 | 2,900,000 |
| 6005-0816 | Contract assistance to cities and towns — special bus subsidies | | — — — — — — | — | 573,027 | 146,656 | — | — | — |
| 6005-0017 | Payments to cities and towns - special gas tax | *—Highway* | — — — — — — | — | 25,500,000 | 24,782,000* | 25,053,000 | 25,053,000 | 25,053,000 |
| | | —State | | $38,758,886 | $122,576,194 | $101,623,656 | $116,353,000 | $113,353,000 | $113,353,000 |
| | | *—Federal* | | *$ —* | *$ (25)* | *$ —* | *$ —* | *$ —* | *$ —* |

| Item No. | Organization Unit | Fund | Citation of Statute | 1976 Approp. | 1976 Expenses | 1977 Approp. | 1978 Agency Req. | 1978 Sec'y Recom. | 1978 Gov. Recom. |
|---|---|---|---|---|---|---|---|---|---|
| | **PUBLIC WORKS** | | | | | | | | |
| 6034-0001 | Chapter 90 projects | —*Highway* | G.L. 90, § 34 | $ — | $3,335,342 | $ — | $13,538,720 | $ | $ |
| 6034-0002 | Chapter 81 projects | —*Highway* | G.L. 81, § 26 | — | 381,104 | — | | | |
| 6034-0003 | Reimbursements to cities and towns for installation of traffic control devices | —*Highway* | G.L. 90, § 33 | — | 183,425 | — | — | — | — |
| 6034-0005 | Payments to cities and towns for reconstruction and maintenance | —*Highway* | 1974, 825, §§ 1, 2 | — | 10,000,092 | — | — | — | — |
| 6034-0006 | Payments to cities and towns for reconstruction and maintenance | —*Highway* | 1974, 825, §§ 4, 5 | — | 1,245,500 | — | — | — | — |
| 6034-0007 | Payments to cities and towns for reconstruction and maintenance | —*Highway* | 1974, 825, §§ 3, 9 | 18,758,886 | 18,758,886 | 18,469,803 | — | — | — |
| 6034-0008 | Highway Mass Transportation aid for fringe MBTA communities | | | — | — | 2,500,000 | 1,250,000 | 1,250,000 | 1,250,000 |
| 6034-0009 | Payments to cities and towns for reconstruction and maintenance | | | — | — | — | 18,469,803 | 18,469,803 | 18,469,803 |
| | | —State | | $ 18,758,886 | $ 33,904,349 | $ 20,969,803 | $ 33,258,523 | $ 19,719,803 | $ 19,719,803 |
| | **TOTAL, TRANSPORTATION AND CONSTRUCTION** | —State | | $ 57,517,772 | $156,480,543 | $122,593,459 | $149,611,523 | $133,072,803 | $133,072,803 |
| | | —*Federal* | | $ — | $ (25) | $ — | $ — | $ — | $ — |
| | **EDUCATIONAL AFFAIRS** | | | | | | | | |
| | **BOARD OF EDUCATION** | | | | | | | | |
| | **OFFICE OF THE COMMISSIONER** | | | | | | | | |
| 7010-0012 | Racial imbalance programs | | G.L. 76, §§ 12, 12A | $ 4,400,000 | $ 5,478,092 | $ 5,750,000 | $ 7,500,000 | $ 6,800,000 | $ 6,800,000 |
| 7010-0042 | Magnet educational programs | | 1974, 698 | 3,000,000 | 3,000,000 | 3,000,000 | 4,500,000 | 3,000,000 | 3,000,000 |
| 7010-0043 | Equal education improvement fund | | G.L. 15, § 1 | 6,000,000 | 6,000,000 | 6,000,000 | 6,000,000 | 6,000,000 | 6,000,000 |
| | | | | $13,400,000 | $14,478,092 | $14,750,000 | $18,000,000 | $15,800,000 | $15,800,000 |
| | **DIVISION OF OCCUPATIONAL EDUCATION** | | | | | | | | |
| 7027-0010 | Vocational school reimbursement | | G.L. 74, § 9 | $39,803,000 | $39,803,000 | $39,803,000 | See 7027-0016 | | $ — |
| 7027-0011 | Tuition reimbursement | | G.L. 74, § 10 | 2,500,000 | 2,500,000 | 1,494,987 | See 7027-0016 | | — |
| 7027-0012 | Instructors' salary reimbursement | | G.L. 74, § 12 | 125,000 | 122,261 | 125,000 | See 7027-0016 | | — |
| 7027-0013 | County vocational schools, reimbursement | | G.L. 74, § 11 | 1,700,000 | 1,700,000 | 1,700,000 | See 7027-0016 | | — |
| 7027-0014 | Outside vocational school transportation | | G.L. 74, § 8A | 400,000 | 400,000 | 273,756 | See 7027-0016 | | — |
| 7027-0016 | Vocational education reimbursements | | | | | | 59,485,000 | 45,593,743 | 45,593,743 |
| 7027-9001 | Smith-Hughes & Barden Acts | —*Federal* | | | *13,180,381* | *13,000,000* | *13,000,000* | *13,000,000* | *13,000,000* |
| 7027-9002 | Career educational process for handicapped | —*Federal* | | | *171,818* | *42,955* | — | | — |
| 7027-9010 | Manpower development & training | —*Federal* | | — | *14,065* | — | — | — | — |

| Item No. | Organization Unit | Fund | Citation of Statute | 1976 Approp. | 1976 Expenses | 1977 Approp. | 1978 Agency Req. | 1978 Sec'y Recom. | 1978 Gov. Recom. |
|---|---|---|---|---|---|---|---|---|---|
| | **EDUCATIONAL AFFAIRS — *Continued*** | | | | | | | | |
| | **DIVISION OF OCCUPATIONAL EDUCATION — *Concluded*** | | | | | | | | |
| 7027-9020 | M.D.T.A. - training program | —*Federal* | — — — — — — | $ — | $ *(60,857)* | $ — | $ — | $ — | $ — |
| 7027-9710 | Vocational education personnel training | —*Federal* | — — — — — — | — | *101,281* | *140,000* | *140,000* | *140,000* | *140,000* |
| | | State | | $44,528,000 | $44,525,261 | $43,396,743 | $59,485,000 | $45,593,743 | $45,593,743 |
| | | —*Federal* | | $ — | *$13,406,688* | *$13,182,955* | *$13,140,000* | *$13,140,000* | *$13,140,000* |
| | **DIVISION OF SPECIAL EDUCATION** | | | | | | | | |
| 7028-0801 | Services — handicapped children in institutions | —*Federal* | — — — — — — | $ — | *$4,345,941* | *$6,620,000* | *$6,620,000* | *$6,620,000* | *$6,620,000* |
| 7028-1001 | Training teachers of handicapped children | —*Federal* | — — — — — — | — | *121,584* | *160,000* | *160,000* | 160,000 | *160,000* |
| 7028-1821 | Child service demonstration program | —*Federal* | — — — — — — | — | *(25,080)* | — | — | — | — |
| | | | | $ — | *$4,442,445* | *$6,780,000* | *$6,780,000* | *$6,780,000* | *$6,780,000* |
| | **DIVISION OF CURRICULUM AND INSTRUCTION** | | | | | | | | |
| 7032-0402 | Education of children — low income families | —*Federal* | — — — — — — | $ — | $ *446,353* | $ *368,000* | $ *368,000* | $ *368,000* | $ *368,000* |
| 7032-1702 | Drug education training program | —*Federal* | | — | *9,719* | — | — | — | — |
| 7033-1908 | Non-food assistance program | —*Federal* | — — — — — — | — | *987,197* | *808,880* | *808,880* | *808,880* | *808,880* |
| 7035-0004 | Transportation of pupils | | G.L.71, § § 7A, 16C, 37D | 53,000,000 | 53,000,000 | 48,000,000 | 58,500,000 | 33,000,000 | 33,000,000 |
| 7035-0005 | Transportation of pupils — common carriers | | G.L.71, § 7B | — | 665,274 | 700,000 | 700,000 | 700,000 | 700,000 |
| 7035-0010 | Education of children — low income family assistance | —*Federal* | — — — — — — | — | *30,150,117* | *32,000,000* | *32,000,000* | *32,000,000* | *32,000,000* |
| 7035-0011 | Special grants — urban and technical schools | —*Federal* | — — — — — — | — | *1,854,298* | *37,000* | — | — | — |
| 7035-0012 | Program for neglected & delinquent children | —*Federal* | — — — — — — | — | *318,425* | *382,500* | *382,500* | *382,500* | *382,500* |
| 7035-0013 | Education of the handicapped | —*Federal* | — — — — — — | — | *3,350,931* | *2,414,000* | *2,414,000* | *2,414,000* | *2,414,000* |
| 7035-0015 | Educational program — children of migratory agricultural workers | —*Federal* | — — — — — — | — | *1,268,728* | *1,150,000* | *1,150,000* | *1,150,000* | *1,150,000* |
| 7035-0017 | Supplemental educational centers — ESEA, Title III | —*Federal* | — — — — — — | — | *1,968,705* | *332,000* | — | — | — |
| 7035-0018 | Follow through State Technical assistance program | —*Federal* | — — — — — — | — | *19,741* | *17,000* | *17,000* | *17,000* | *17,000* |
| 7036-1201 | School library resource material program | —*Federal* | — — — — — — | — | *2,000,677* | — | — | — | — |
| 7036-1401 | Regional public libraries | | G.L.78, § 19C | 2,566,982 | 2,561,050 | 2,566,982 | 2,610,489 | 2,610,489 | 2,610,489 |
| 7036-1501 | Public libraries | | G.L.78, § 19A | 2,160,031 | 2,079,117 | 2,160,031 | 2,218,142 | 2,218,142 | 2,218,142 |
| 7036-1601 | Interlibrary cooperation — LSCA — Title III | —*Federal* | — — — — — — | — | *119,473* | — | — | — | — |
| 7036-2001 | Public library building construction — Title II | —*Federal* | — — — — — — | — | *350,351* | *42,824* | — | — | — |
| 7036-2201 | LSCA Program — Title I | —*Federal* | — — — — — — | — | *1,650,005* | — | — | — | — |

| Item No. | Organization Unit | Fund | Citation of Statute | 1976 Approp. | 1976 Expenses | 1977 Approp. | 1978 Agency Req. | 1978 Sec'y Recom. | 1978 Gov. Recom. |
|---|---|---|---|---|---|---|---|---|---|
| | **EDUCATIONAL AFFAIRS — *Concluded*** | | | | | | | | |
| | **DIVISION OF CURRICULUM AND INSTRUCTION — *Concluded*** | | | | | | | | |
| 7037-0002 | Supplemental educational centers -- ESEA, Title III | —*Federal* | | $ — | $ 119,615 | $ — | $ — | $ — | $ — |
| 7038-0002 | Adult basic education — Title III — PL89-750 | —*Federal* | | — | 1,936,673 | 1,706,000 | 1,706,000 | 1,706,000 | 1,706,000 |
| | | —State | | $57,727,013 | $58,305,441 | $53,427,013 | $64,028,631 | $38,528,631 | $38,528,631 |
| | | —*Federal* | | $ — | $46,551,008 | $39,258,204 | $38,846,380 | $38,846,380 | $38,846,380 |
| | **DIVISION OF SCHOOL FACILITIES** | | | | | | | | |
| | **SCHOOL BUILDING ASSISTANCE** | | | | | | | | |
| 7052-0002 | Construction of school projects | | 1976, 511 | $105,500,000 | $ 95,420,510 | $100,000,000 | $ — | $ — | $ — |
| 7052-0004 | First annual payments | | 1976, 511 | — | — | — | 10,694,556 | 7,500,000 | 7,500,000 |
| 7052-0005 | Annual payments and other | | 1976, 511 | — | — | — | 103,205,444 | 102,400,000 | 102,400,000 |
| 7052-0006 | Payments — grants reimbursements | | 1976, 511 | — | — | — | 1,100,000 | 1,100,000 | 1,100,000 |
| | **OTHER** | | | | | | | | |
| 7053-1908 | School breakfast program | | 1970, 871 | — | — | — | 2,417,580 | 1,500,000 | 1,500,000 |
| 7053-1909 | School lunch program | | 1970, 871 | 1,171,131 | 6,229,566 | 6,736,798 | 6,976,800 | 6,976,800 | 6,976,800 |
| 7053-1910 | Lunch program for the elderly | | G.L.15, § 1L | 695,056 | 437,070 | 736,756 | 924,624 | 736,756 | 736,756 |
| | | | | $107,366,187 | $102,087,146 | $107,473,554 | $125,319,004 | $120,213,556 | $120,213,556 |
| | **DIVISION OF STATE AND FEDERAL ASSISTANCE** | | | | | | | | |
| 7061-0003 | Regional School District | | G.L.71, § 16D | $ 23,744,969 | $ 23,744,969 | $ 23,744,968 | $ 32,500,000 | $ 25,000,000 | $ 25,000,000 |
| 7061-0006 | Career opportunities program | —*Federal* | | — | 96,032 | — | — | — | — |
| 7061-0008 | Reimbursements to cities, towns and regional school districts | | G.L.70, §§ 71A, 71B | 427,000,000 | 427,000,000 | 452,000,000 | 668,000,000 | 453,000,000 | 453,000,000 |
| 7062-0001 | Special milk program | —*Federal* | | — | 4,532,850 | 5,087,822 | 5,342,213 | 5,342,213 | 5,342,213 |
| 7062-0002 | Special assistance funds | —*Federal* | | — | 18,417,672 | 22,215,700 | 24,437,270 | 24,437,270 | 24,437,270 |
| 7062-0003 | Community school lunch program | —*Federal* | | — | 13,454,569 | 15,930,000 | — | — | — |
| 7062-0004 | School breakfast program | —*Federal* | | — | 2,666,945 | 3,925,069 | 4,906,336 | 4,906,336 | 4,906,336 |
| 7065-0002 | Plan and evaluate educational programs and projects | —*Federal* | | — | 18,039 | — | — | — | — |
| | | —State | | $450,744,969 | $450,744,969 | $475,744,968 | $700,500,000 | $478,000,000 | $478,000,000 |
| | | —*Federal* | | $ — | $ 39,186,107 | $ 47,158,591 | $ 34,685,819 | $ 34,685,819 | $ 34,685,819 |
| | **TOTAL, EDUCATIONAL AFFAIRS** | —State | | $673,766,169 | $670,140,909 | $694,792,278 | $967,332,635 | $698,135,930 | $698,135,930 |
| | | —*Federal* | | $ — | $103,586,248 | $106,379,750 | $ 93,452,199 | $ 93,452,199 | $ 93,452,199 |

| Item No. | Organization Unit | Fund | Citation of Statute | 1976 Approp. | 1976 Expenses | 1977 Approp. | 1978 Agency Req. | 1978 Sec'y Recom. | 1978 Gov. Recom. |
|---|---|---|---|---|---|---|---|---|---|
| | **MANPOWER AFFAIRS** | | | | | | | | |
| 9000-0120 | Emergency Employment Act of 1971 — local governments' share | —*Federal* | | $ — | $ *(13,072)* | $ — | $ — | $ — | $ — |
| 9000-0150 | Emergency Employment Act of 1971 cities and towns | —*Federal* | | — | *(226)* | — | — | — | — |
| 9084-1000 | Operation Mainstream | —*Federal* | | — | *43,033* | — | — | — | — |
| | **TOTAL, MANPOWER AFFAIRS** | —*Federal* | | $ — | $ *29,735* | $ — | $ — | $ — | $ — |
| | **ELDER AFFAIRS** | | | | | | | | |
| 9110-9002 | Community programs for the aging | | | $ 100,000 | $ 100,000 | $ 100,000 | $ 100,000 | $ 100,000 | $ 100,000 |
| | **TOTAL, LOCAL AID** | —State | | **$915,376,216** | **$1,055,336,280** | **$1,001,797,777** | **$1,323,753,956** | **$1,026,741,742** | **$1,027,798,542** |
| | | —*Federal* | | $ — | $ *121,148,111* | $ *125,881,653* | $ *114,897,199* | $ *144,047,199* | $ *114,397,199* |

# PERSPECTIVE OF THE

# CITIES & TOWNS

MASSACHUSETTS LEAGUE of CITIES & TOWNS

*This is a condensation of a Task Force report issued by the League in December 1976.*

## REPORT ON STATE/LOCAL FINANCIAL MANAGEMENT

*by* A. T. LOCALBO

The Report of the Task Force on State/Local Financial Management presents a comprehensive view of the state / local relationship in financial management from the local perspective. The committee presented twenty-seven recommendations and proposals for further action to the Governor, the major ones highlighted in this summary.

The Task Force was chaired by Benjamin Fleet, Chairman of Board of Selectmen in Sandwich. He and the other members of the committee will be taking an active interest in pursuing the implementation of the various proposals.

**Task Force Objectives:**

The Task Force was initiated by the League's Executive Board as an outgrowth of the new attention perceived from many quarters to the necessity for sound financial management practices in government—an attention created in large part by the problems of New York City. The League Board was concerned that this attention could result in a new wave of restrictive measures rather than in new and innovative steps to improve state and local management capabilities. This state/local relationship became a central focus of the Task Force, in the growing realization that the state's financial health is deeply entwined with the health of its cities and towns.

The Task Force thus began its work with three objectives:

—Strengthening of the management capacity of local government to handle financial affairs.

—Strengthening of the ability of local government to compete in the financial marketplace.

—Fostering of an equal partnership between the state and local government with regard to financial affairs.

**Precepts:**

Four guiding precepts were set forth:

—The state does have a legitimate and basic role in local financial affairs. This role extends beyond that of control to encompass a commitment to provide the necessary tools for effective local management.

—The growing interdependencies among governments guide our options—interdependencies among local governments and interdependencies between local government and the state. If one part of this structure is "ill", the other parts cannot avoid the consequences.

—Since the state as a matter of constitutional policy limits the fiscal self-reliance of local governments, the state must assume a different kind of responsibility than otherwise would be appropriate *or* it must grant the power of self-reliance.

—Local government is, to a growing extent, the instrument through which state policy is carried out and statewide goals and objectives are transformed into actions and results. This role and interaction with the state government cannot be managed as if local government is simply another "special interest group" and it cannot be managed in a diverse and dispersed fashion within the state's executive branch.

**Recommendations:**

The Task Force developed 27 recommendations, some general, others very specific; several will require legislation and many others can be accomplished by Executive Order. But all of the recommendations stem from two thoughts—the obligation of local government officials to manage the financial affairs of government in an open, professional manner adhering to established standards, and the obligation of the state government to establish a relationship based on service to the technical, managerial and information needs of local government while it maintains its proper role of establishing and monitoring appropriate standards.

While many of the recommendations have generated considerable comment, the most important are the first and the last. The first recommendation of the Task Force calls for the establishment of a Local Government Services Unit, an entity which would encompass certain present operations within the Department of Corporations and Taxation (*i.e.*, the Division of Local Finances) and the Department of Community Affairs (*i.e.*, the Division of Community Services). But this unit also would go further and assume responsibility for the interface between all other parts of the state government and local governments. The Task Force concluded that the responsibility to local government from the state should be whole—it should not

| TASK FORCE MEMBERSHIP | | |
|---|---|---|
| Benjamin Fleet (Chairman) | Selectman | Sandwich |
| A. Louis Hayward (Vice Chairman) | Town Manager | Amherst |
| Richard J. Bowen | Selectman | Andover |
| Nancy Brown | Accountant | Wenham |
| John Buckley | Mayor | Lawrence |
| J. Ward Carter | Exec. Secr. | Weston |
| John Connors | Assessor | Pittsfield |
| Rose Marie Coughlin | Councillor | Springfield |
| Donald Farwell | Treasurer | Sharon |
| Thomas Feeley | Alderman | Melrose |
| Brewster Gifford | Finance Comm. | Canton |
| Robert Kelly | Finance Comm. | Watertown |
| Jeanne Kangas | Selectman | Boxborough |
| George McCarthy | Mayor | Everett |
| Walter Merrill | City Auditor | Boston |
| Richard Moore | Selectman | Hopedale |
| Robert Pelkey | Treasurer | Lowell |
| Raymond Spear | Accountant | West Springfield |
| Margaret Spengler | Selectman | Arlington |
| James Strupczewski | Budget Dir. | New Bedford |

be split among different agencies of state government. If it were, local government services would be subject to the same bureaucratic competition, priority conflicts and lack of focus which is so evident presently.

The Task Force maintained that the organizational design of the Local Government Services Unit must result in an operation which will have as its single purpose and motivation the provision of quality services to local government—supervisory, management assistance, training and education, and support activities. If these elements continue to be separated at the state level, they cannot be reassembled into a unified program at the local level.

The last recommendation of the Task Force calls for the establishment of an Advisory Board comprised of local government officials to oversee the program of the Local Government Services Unit. This Board would have powers of budget review, program review, and professional staffing review. Its objective would be to insure that the kind and quality of services rendered meet the real needs of local government. But it would also have two very immediate functions—advising the Governor concerning the reorganization of various state agencies to establish a Local Government Services agency, and advising on the appointment of a director for this agency. The future success of the approach put forth by the Task Force is clearly dependent on the qualifications and leadership of the person placed in charge. The Task Force has proposed that local government officials have a central voice in this selection process.

**Accounting and Auditing Standards:**

The Task Force put forward a series of recommendations concerning reform of accounting and auditing practices, including: the adoption of an annual audit requirement; the use of CPA's and state-certified public accountants in order to free up state staff personnel to perform duties now being overlooked; the adoption of accounting and financial reporting standards developed by the National Committee on Governmental Accounting and in wide use througout the country; and the publication of a systems and procedures manual to aid local government financial managers.

Uniform accounting, auditing and reporting standards for Massachusetts are the fundamental requirements for a restructuring of the state/local financial management relationship. Many of the Task Force recommendations are dependent upon the installation of a comprehensive uniform accounting system and audit procedures. These must address the management needs of state and local officials and the information needs of taxpayers and investors, and must allow specifically for the differing needs of these two parts of the whole.

The implementation of a uniform accounting system and effective auditing and reporting standards requires the immediate attention of the executive and legislative branches of state government if the interests of local *and* state government are to be protected. The market for short and long-term debt already is exacting a premium interest rate in Massachusetts and the Northeast in general. While a portion of this higher interest is due to our relative lack of economic vitality, the fact remains that the New England default experience is markedly better than any other region of the country and much of our interest "penalty" can be attributed to our inability to communicate with the investor on a comparable basis. Several cities and towns in the Commonwealth which have gone through the process of recasting their bond indenture statements in a language common to the rest of the nation have realized impressively low interest rates.

The debt market is, however, just one of the reasons for implementing new accounting, auditing, and reporting practices. The proprietary interests of the taxpayers and the proprietary responsibilities of state and local officials necessitate that we conduct governmental financial affairs in accordance with well-constructed standards and with the objective of providing greater capacity for evaluation of performance and comparison among jurisdictions.

**Financial Planning and Management:**

The report included several recommendations concerning the ability of local government to engage in sound financial planning and to manage in a crisis situation. The Task Force proposed that explicit guidelines be developed to set forth conditions of state intervention in the fiscal management of a local government entity, citing as its rationale the position of the Advisory Commission on Intergovernmental Relations: "The States are the logical providers of assistance to local governments in financial emergencies because States provide the basic constitutional and statutory authority for the operation of local governments. In addition, the credit and financial reputation of the State and of all the other local governments are adversely affected by a credit failure of a local government within the state."

The Task Force made recommendations concerning revision of the statutes dealing with local debt issuance, the issue of state-mandated programs (proposing the introduction of an "ability to pay" test into intergovernmental program decisions), the establishment of a uniform data collection system (to assist in comparative analysis, budgeting, collective bargaining, etc.), the establishment of financial disclosure guidelines, and an appeal for access to a broader range of revenue alternatives at the local government level in place of the overburdened, regressive, and inflexible property tax system!

**Technical Assistance:**

Technical assistance provided by the state to local government is a part of the supervisory role and responsibility. Setting and enforcing managerial standards is incomplete without a program also to develop management capacity and responsibility at the local level to make the standards self-executing. The state role in technical assistance has other attributes beyond this capacity building aspect. The state is in a central position to communicate management innovations from one community to a broader audience, thereby promoting greater efficiency and avoiding duplication of effort. The state also is in a position to provide in a collective manner the skills and expertise which individual communities could neither afford nor utilize fully. The Task Force, therefore, has addressed the subject of Technical Assistance as one of the central pillars of the state/local financial management relationship.

A comprehensive state program of technical assistance would rest on a foundation of self-interest. The credit and financial reputation of the state and of local governments is bound inextricably. The Task Force sees several additional motivations:

—The numerous local governments cannot each incur the expense of the kinds of staff needed. Collectively, however, it becomes possible.

—The state's efficiency doubtless would improve if it could establish standardization of local practices, procedures, and information reported. This only can be accomplished with training and capacity-building efforts at both levels.

—Many problem areas could be addressed if someone were willing to assume the leadership role. The state is in a position to do so.

—For various purposes, the state spends approximately 25% of its income in transfer payments to local government jurisdictions (we note also that municipalities in the Commonwealth spend about 10% of their tax levies in transfer payments to various levels of state government—including county government and regional agencies). The involvement of the state in technical assistance should be construed as protecting an investment which is in excess of one billion dollars per year.

Task Force recommendations for technical assistance include:

—improvement of local aid information and notification of payment schedules

—scheduling of state payments to alleviate local government cash flow problems

—preparation of an administrative manual covering all areas of state/local interaction at bureaucratic levels

—assistance with debt management and cash management programs

—assistance with computer utilization development

—assistance in the professionalization of assessment practices

—assistance with insurance and liability problems.

**Summary:**

The Advisory Commission on Intergovernmental Relations has recommended that "each state designate or establish a single state agency responsible for improvement of local financial management functions...". Other writers have proposed that the state/local relationship be managed by a state-level "Office of Intergovernmental Relations." The Task Force agrees with the thrust of these proposals. If the problems of local government and the state/local relationship are unclear to many, it is because authority and responsibility for this critical interaction presently is diffuse. There is no single entity in the state government which has an overall role and this lack of coordination also is evident at the local level.

The Task Force has not attempted to set a price tag on the state actions and services it feels are required. We do feel, however, that the funding level involved to carry out a new program will not be a major sum (probably no more than the equivalent of 1¢ or 2¢ per capita) and that the advantages—to the state as well as local governments in terms of interest rates and operating efficiencies—would be substantial.

The report is, finally, a reflection of the concerns felt by a group of local officials attempting to deal with an atmosphere of crisis by developing a long-range program for reshaping the managerial relationship between the state and local governments.

# Local Government Advisory Committee

6 Beacon Street
Suite 900
Boston, Massachusetts 02108
742-2334 523-8292

February 26, 1977

TO: LOCAL GOVERNMENT OFFICIALS

Attached is a report prepared by the staff of the Massachusetts League of Cities and Towns reviewing the proposed FY 1978 state budget and aid to cities and towns. The report highlights serious deficiencies in the local aid budget and points out specifically the continued erosion of basic support for education through Chapter 70. The continued expansion of the Special Education program, mandated by state law, claims an ever greater share of an almost unchanged local aid budget. The result is increasing pressure on the local property tax, a problem which all local government managers - Selectmen, Mayors and Councillors - are seeking to resolve.

The budget proposed by the Governor does not address the very grave and central issue of the property tax. It is not enough to advise local government officials to tighten the municipal belt. Such advice must be accompanied by recognition of those state laws and programs which are increasing local budgets. There must be state action to curtail these programs or to fund them. A simplistic approach of restricting local tax rates, an idea receiving serious consideration in some quarters, would produce chaos - not reform. And reform of the system of state/local taxation and of the process for implementing new programs at the state and local levels is what will be required if the property tax burden is to be relieved.

We urge you to study this report and to share it with your representatives to the General Court.

William R. Murphy

William R. Murphy
Chairman, LGAC
Selectman, Chelmsford

# THE GOVERNOR'S BUDGET FOR 1977-78: STATE AID FOR CITIES AND TOWNS

**FEBRUARY 1977**

MASSACHUSETTS LEAGUE of CITIES & TOWNS
6 Beacon Street, Boston, 02108

## EXECUTIVE BOARD OFFICERS

William Murphy, *President*
Selectman, Chelmsford

Byron J. Matthews, *First Vice President*
Mayor, Newburyport

James Sullivan, *Second Vice President*
City Manager, Cambridge

## EXECUTIVE BOARD

Richard T. Leary, *Past President*
Executive Secretary, Brookline

Nancy B. Eddy, *Trustee*
Selectman, Amherst

Richard Carney, *Trustee*
Town Manager, Shrewsbury

Henry C. Boles
Selectman, Dennis

John J. Buckley
Mayor, Lawrence

David Cramer
Mayor, Northampton

John Cronin
Executive Secretary, Milton

Thomas J. Early
Mayor, Worcester

Milton Greenberg
Selectman, Andover

Robert Janes
Town Manager, Williamstown

Robert Kelly
Fin. Com. Chmn., Watertown

John A. Markey
Mayor, New Bedford

Donald Marquis
Town Manager, Arlington

Lawrence V. McCavitt
Councillor, Brockton

Marilyn Morris
Selectman, Dedham

Judith Robbins
Councillor, Attleboro

William C. Sullivan
Mayor, Springfield

William Toomey
Selectman, Sudbury

Peter Boyer
Town Manager, Southbridge

Benjamin Fleet
Selectman, Sandwich

Kevin H. White
Mayor, Boston

William Kennedy
Town Manager, Holden

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This report was prepared by Anthony T. Logalbo with assistance from Barbara J. Thornton and Richard T. Howe.

# THE 1978 STATE BUDGET

## STATE AID TO CITIES AND TOWNS

The Governor's FY 1978 budget contains no great surprises and no great reforms for the cities and towns. It perpetuates a system which treats the local property tax as the bottom line in the state's fiscal equation. It betrays a lack of understanding of how and why state aid dollars flow to local governments. It continues a dangerous trend of transferred responsibilities and obligations from the state level to the local level -- dangerous because the transfers ultimately must be financed from the local property tax, an outcome in direct opposition to state and local policy objectives for stabilizing the local property tax to promote economic growth.

### WHAT IS LOCAL AID

Someone turning to the Local Aid section of the budget without any prior knowledge would learn several facts:

1) Local Aid represents over one billion dollars of the state budget, almost 25 percent; and

2) 68 percent of this funding is for educational programs.

The reader of this section of the budget would not learn that:

1) The greater portion of local aid is reimbursement for expenditures already incurred by local governments either required by state statutory mandates or induced by promises of repayment; and

2) Most "reimbursement-type" programs by state statute reimburse about 50 percent of local expense. Since this funding is subject to appropriation, actual reimbursement levels are frequently less than those the statutes would require.

## BUDGET HIGHLIGHTS - H1

- Chapter 70 School Aid will be reduced by almost $90 million, as expansion of the state-mandated Special Education program continues to take a larger share of a virtually unchanged total.

- Regional School Aid and Vocational Education aid will be prorated at about 75% of statutory entitlement levels.

- Net revenue from the Numbers Game of the State Lottery is slated to be restored to the Cities and Towns.

- The budget proposes continuation of state sharing of the MBTA deficit and of the deficits of the other regional transit authorities.

- $8 million is allocated in the Judiciary budget to increase the state share of court financing.

- School Transportation aid is reduced substantially.

- A program of highway aid for local governments is proposed through a bonding package which would provide $13.5 million in FY 1978 and again in FY 1979 via the Chapter 90 aid program.

- Expansion of the school breakfast program is proposed, with only partial state funding for the resulting local costs.

## THE LOCAL GOVERNMENT RESPONSE

- Freeze further expansion of the Special Education program mandate until new state funds are provided to meet this burden and Chapter 70 aid is restored to entitlement levels.

- Utilize fully the federal funds available to the state for eligible services now being financed from Chapter 766 Special Education and thus from the property tax.

- Adopt a firm and enforceable requirement to pay funds to local governments when due, with the state borrowing short-term to raise funds for this purpose if not otherwise available in the state treasury.

- Fund regional school district and vocational education aid in accordance with statutory entitlements, as communities were led to expect when they entered into these programs.

- Speed up the process of reviewing and paying local government reimbursements for such programs as police career incentive pay and veterans benefits.

The largest single item of local aid, Chapter 70 basic education aid, is being radically reduced by the funding requirements of the Chapter 766 Special Education program. This three-year old state-mandated program for which no new state funds have ever been provided is the single most dramatic and devastating aspect of the budget document.

The phrase "level funding" was coined in the FY 1977 Executive Budget. Again for 1978, this phrase is used to justify a perplexing set of decisions.

"Level funding" is used to justify a Chapter 70 funding percentage which will be effectively below 50 percent. "Level funding" is used to justify a Regional School Aid funding level of about 75 percent, even while the state seeks to encourage regional district formation by the promise of state aid. "Level funding" incorporates as local aid some $40 million state tax dollars allocated to housing programs and MHFA deficits created by federal and state law while municipalities have no control over this situation -- to regard housing as a "local" program diminishes the state aid to cities and towns for locally financed programs. "Level funding" as a concept need not take note of state service cutbacks which fall onto local governments and their taxpayers -- the cutback of state-financed medical services for general relief recipients has severely impacted those municipalities with public hospitals; deinstitutionalization programs of the Department of Mental Health are placing new burdens on local human service programs without additional state funding.

## LOCAL AID AND FY 1978 PROPERTY TAXES

The Local Aid section of the budget -- which includes everything defined by the state as aid to "local " programs in municipalities, regional school districts, MBTA and other RTA's, housing authorities and the state share of teachers retirement -- is up approximately $26 million. The Governor's budget message says that assistance to cities and towns is up $46 million -- adding to the local aid budget $12 million from restoration of the total lottery proceeds to the cities and towns, and $8 million budgeted by the state to pay an increased share of county court costs.

Yet there should be no illusion that the budget as it now stands will help to lower property taxes. It will not. Our examination of the numbers indicates that undedicated funds -- those monies made available to cities and towns which are not offset by increased mandated expenses, increased local debt service for schools and other assessment increases -- actually will fall by

about $90 million dollars, equivalent roughly to 3 percent of the statewide property tax levy.

## THE BUDGET MESSAGE

With the overview provided above, we now can review what the budget says to cities and towns. The following is quoted directly from page 5 of the Budget Summary, interspersed with the local perspective:

> "In spite of the serious financial difficulties the Commonwealth has experienced, state support to cities and towns over the past few years has continued to grow.
>
> For Fiscal Year 1978, state financial assistance to cities and towns will total $1,027.8 million for direct aid and other locally related assistance -- an increase of $26 million.
>
> Of the total, $698.3 million will be paid directly to cities and towns on account of educational programs, veterans' benefits, loss of taxes on state-owned lands, and property tax abatements for certain persons and will be certified on the Cherry Sheets for a reduction in local property tax."

-- BUT, we have pointed out that much of this aid is partial reimbursement for required expenses and that statutory funding levels often are underfunded. We further note that payments often are delayed without warning to the involved local governments, thereby precipitating cash crises, short-term borrowing situations and resulting interest expense.

> "Aid in the amount of $93.9 million will be available and certified to regions and their member towns for the reduction of local property taxes."

-- BUT, we have pointed out that regional school district aid consistently has been underfunded from the statutory entitlement levels. The result of such funding policies is to increase, not to lessen, the burden on the local property tax.

> "Finally, $235.3 million will be paid to authorities or others on behalf of local functions. Included in this are funds for items such as teachers' pensions, MBTA subsidies and subsidies for local housing authorities."

-- BUT, we note that the three items cited account for virtually all of the funding in this category and all of these items are effectively beyond the scope of authority of local government.

## WHAT WILL THE CITIES AND TOWNS SEE IN FY 1978?

*Chapter 70 School Aid:*

The dollar aid entitlement levels for this account over the past several years are shown below:

| | $ | Percent of Entitlement |
|---|---|---|
| FY 1975 | $350.6 million | 84.0% |
| FY 1976 | 340.6 | 82.9 |
| FY 1977 | 352.3 | 69.1 |
| FY 1978 (proposed) | $264.7 | 48.9% |

The loss in this account since FY 1975 is directly attributable to the accelerating costs of the Special Education program. During this period, the total amount of money shared by Chapter 70 and Chapter 766 has remained virtually unchanged, while Special Education program expenses will approach $200 million in FY 1978. This is even more remarkable when it is considered that those costs labeled "special education" are only the incremental costs above the average per pupil cost in regular programs. Thus, the state share of the basic cost of every pupil in the system is supposed to come from Chapter 70 aid, yet this account has lost $86 million (25 percent!) in three years. This cannot be an issue of "local mismanagement" -- it is an issue of state withdrawal.

$276 million would be required to bring Chapter 70 aid back to full entitlement levels, last achieved in 1971.

*Chapter 766 Special Education:*

The growth of this account is directly related to the loss of Chapter 70 aid and also to the dramatic rise in local school budgets in recent years. The Governor's Budget Message urged local communities to "take serious steps to control the growth in teachers' payrolls, especially at a time when school enrollments are declining."

This advice shows a lack of understanding about what the Special Education Law has wrought:

- Special education programs are open and available to children younger and older than school age. The special education program has been growing dramatically even while total enrollment declines.

- Special education programs involve personalized and small group teaching. Thus, while enrollment declines, Chapter 766 has created a dramatic new market for teachers. Since these teachers now must have specialized skills, salaries are higher.

- Various state agencies (e.g., mental health, youth services) are beginning to seek to use Special Education programs as a means of resolving their own budget difficulties.

Special Education costs technically are being reimbursed by the state -- but they are being reimbursed from funds which otherwise would have been received from Chapter 70. No new funds have been provided. Further special education costs in excess of 110 percent of the statewide average per pupil cost are not reimbursable. A significant local expenditure, thus, is not being recognized. The unusual demands placed on urban and core city areas can lead to legitimate costs above this arbitrary limit.

Funding since FY 1975 is shown below:

| | $ Provided | $ Due | Cherry Sheet "deficit" |
|---|---|---|---|
| FY 1975 | $ 44.5 | $ 44.5 | -- |
| FY 1976 | 83.0 | 83.0 | -- |
| FY 1977 | 95.7 | 123.3 | $27.6 |
| FY 1978 (proposed) | $184.3 | $156.7 | |

The FY 1978 proposed figure reflects the carry-forward of $27.6 million actually due in FY 1977. This adjustment is the result of a mid-year finalization of special education entitlements for FY 1977 which are substantially higher than the Cherry Sheet estimate of $95.7 million. To make the adjustment in the final two quarters of FY 1977 would have required reducing Chapter 70 payments correspondingly, a totally unexpected action which could have created confusion for numerous communities.

There are alternatives, including the submission of a deficiency budget to pay the additional $27.6 million in Special Education without reducing Chapter 70 aid -- but the administration has not chosen to pursue this route.

This episode points out one major weakness of the state aid process -- local governments are required to plan their finances based on the Cherry Sheet, a document purportedly projecting state aid but which frequently proves to be at great variance with subsequent actual payments.

The Chapter 766 issue illustrates another serious managerial flaw in the state aid process. Unlike Chapter 70 aid which is distributed quarterly, Special Education reimbursement is paid annually, on November 20. This year, since entitlement calculations were not finalized by the State Department of Education on that date, the Department of Corporations and Taxation distributed only a base amount of $45 million, rather than the $95 million due per the Cherry Sheet. The balance of $50 million has not yet been paid and the Department of Corporations and Taxation is not likely to pay it until the end of March, more than four months after it was due. The problems caused by a failure to pay state aid when due are heightened by the fact that localities are not informed when an anticipated payment is delayed or revised. The result is higher local short-term borrowing, interest expense, and the appearance of "bad fiscal management" at the local level.

It should be a firm and enforceable policy of the state to pay funds due local governments according to the statutory provisions and to borrow short-term to raise funds for this purpose if they are not otherwise available in the state treasury.

The financial crisis, reflected both in local expenses and in state aid impact, created by the Special Education law has been examined by the Local Government Advisory Committee (LGAC). Comments concerning Title XIX and Title XX as they affect the Chapter 766 - Chapter 70 issue are included below.

Title XIX of the Social Security Act provides 50 percent reimbursement to states for certain kinds of medical and therapeutic services to eligible clients. Title XX of the Social Security Act provides 75 percent reimbursement to states for certain kinds of social services to eligible clients. The vast majority of all Chapter 766 non-education costs falls in these two categories. It is estimated that about half of all children receiving Chapter 766 services might be Title XIX and Title XX eligible clients. The state, thus, could be seeking 50-75 percent federal reimbursements in numerous cases. Funds realized through

these Titles would reduce the diversion of Chapter 70 funds to finance special education costs. This approach will require a priority effort on the part of the State Department of Education. It is estimated that $30-50 million dollars could come from this source.

*Lottery:*

The budget promises restoration of all lottery net proceeds to cities and towns, terminating the FY 1977 diversion of Numbers Game proceeds to the state's General Fund. Similar assurances have come from the legislative leadership and, on this basis, cities and towns can anticipate about a 25 percent increase in this account (although individual communities may experience more or less than this average since the new equalized valuation figures will be used).

*Regional School Districts:*

Total aid going directly to 52 regional school districts will be virtually unchanged. However, the entitlement proration percentages for vocational education and regional school aid will be reduced. The impact on the local property tax is clear -- the property tax will pick up almost all cost increases of the regional districts.

Regional school aid and vocational education aid amounts proposed in the budget will provide approximately 75 percent of statutory entitlements.

*School Construction:*

This account is increased $10.9 million, reflecting the state share of local debt service cost coming into municipal budgets in the next fiscal year. Since the sharing is usually on a 50-65 percent basis, the corresponding local budget increase will be roughly $20 million.

*School Transportation:*

This account illustrates the illogic of "level funding." It is being cut $15 million, or 31 percent! This cut presumably is to offset the increase in school construction aid. The impact on local budgets is anything but level, since this $15 million must come from the property tax.

*MBTA Assessment:*

The FY 1977 assessment to the 79 municipalities in the MBTA district was $73.2 million. For FY 1978, it will be around the $80 million mark--higher than what the municipalities paid in 1972, the year before the state began to share the deficit 50-50. Both the state and the MBTA region municipalities continue to allocate tax dollars to this operation without apparent willingness of the legislature to consider effective mechanisms for controlling the MBTA deficit. H-3639 is one measure put forward by the municipal associations which seeks to meet this regional problem.

The MBTA laws provide for its own system of compulsory and binding arbitration. The MBTA Advisory Board has documented the inordinate salary levels of system employees, and that Board has also initiated a court challenge of the quarterly cost-of-living escalator clause for MBTA employees. All of these factors contribute to what has become an increasingly unmanageable burden both for local property taxpayers within the district and for the state itself.

A comprehensive review of MBTA financing also might review fare policy. While operating costs climbed 67 percent in the five-year period 1971-76, the deficit increased 100 percent and revenue increased less than six percent!

*Highway Aid:*

$18.5 million again is included as aid to municipalities outside of the MBTA district. This amount will be shown on the Cherry Sheet.

$1.25 million is included for aid to fringe MBTA communities (listed in Ch. 825, 1974 - Sect. 4). This is half of the funding level for FY 1977. No explanation for this cut is offered in the budget.

A $375 million transportation bonding proposal has been submitted by the Governor which includes $27 million to provide a two-year program of highway construction and maintenance assistance to the cities and towns through the Chapter 90 local highway aid program. This item will not appear on the Cherry Sheet, but if the bonds are authorized the state DPW will apportion the funds made available.

*Regional Transit Agencies:*

Consistent with the policy for the MBTA, the state will continue to share the deficits of the other RTA's.

*Veteran's Services:*

Aid in this account will be reduced 29 percent. These funds provide partial reimbursement (50 percent) of local costs incurred pursuant to state laws. In recent years many beneficiaries have transferred to other benefit programs and this would seem to be the rationale for decreasing this account. However, the state's reimbursements to local governments are more than a year behind schedule -- and the amount recommended for the FY 1978 budget will not permit catching up. The result, once again, is that the state is forcing local governments to borrow. Interest expenses are being incurred by the local taxpayer which never will be reimbursed by the state.

The same situation exists with Police Career Incentive Pay reimbursements. Funds owed to cities and towns are being unnecessarily delayed due to a lack of administrative staff to process the claims.

*County Tax:*

The FY 1978 budget submission reserves $8 million to commence state assumption of the cost of the court system. This sum will increase the state's share to 30 percent (from the present level of 20 percent) and the intention is to assume all court costs over a five-year period. This represents $80 million ultimately to be removed from property tax financing and transferred to the state's more progressive tax sources.

It remains to be seen whether the $8 million provided for FY 1978 will be reflected in reduced county tax assessments. The legislature has recently voted a sizeable pay increase for county employees and if this is not offset by staffing cuts, increased county budgets will wipe out this benefit.

## OTHER BUDGET ITEMS NOT ON CHERRY SHEET

*Pension Funding:*

The Governor's budget submission includes $12.7 million to implement the recommendations of the Retirement Law Commission regarding full funding of the pension system.

This funding, however, provides only for the cost of state employees.

While it is entirely proper for the Executive to make an administrative recommendation through the budget, this issue is one that greatly concerns local governments. The pension system for state and local governments in this state are, in fact, one system controlled by one body of laws and ultimately the responsibility of the Legislature. It would be faulty for one part of this system to act unilaterally. There are many issues within the funding question and the Retirement Law Commission has presented but one option of numerous options. It remains for the Legislature to carefully review all options and implications.

The Massachusetts League of Cities and Towns has had a Task Force at work on the pension issue and expects to issue a report from this committee in the Spring. It has been estimated that the annual additional cost to cities and towns in the fifth year of implementing the Retirement Law Commission recommendations would be $240 million. The annual additional cost to the state in the fifth year would be an estimated $290 million. This is a major issue and the cost projections argue for a continuation of the legislative moratorium on pension benefit changes.

In its examination of this issue, the Legislature should give particular attention to correcting the potential for abuses of the pension system and should also give careful consideration to comparison of the public pension system with private systems. The League report will address these concerns.

*Breakfast Program:*

Last spring, the State Department of Education proposed and the Governor approved a proposal to expand the school breakfast program. While federal funds are available for the food, state officials had failed to consider the administrative costs involved. The municipal associations, through the LGAC, succeeded in having the proposal postponed and elicited a pledge that local costs would be funded if the program were to be expanded.

The budget document indicates that the pledge was short-lived, since the Educational Affairs budget states:

> "A new appropriation item is recommended to fund partial costs to localities for implementing the state-mandated school breakfast program. The amount recommended will fund approximately

half the difference between local costs and federal reimbursements."

The amount included in the budget is $1.5 million.

*Donated Funds Program:*

The donated funds program is an example of how the state discourages local government participation in the delivery of social services while, at the same time, it expects local government to facilitate state social policies such as deinstitutionalization.

The donated funds program is part of Title XX of the Social Security Act. The state has the option of deciding what portion of the federal money it receives will be shared with local governments. Massachusetts has opted to share a relatively small portion of its funds.

In FY 1976 $11.63 million was appropriated for the donated funds program. This year only $8.9 million was appropriated, and the proposed budget includes $9.6 million. These are federal funds which could be available to help pay for Special Education type programs and other human service programs being carried out at the local level.

Title XX also allows the state to spend money on training, and there is no ceiling on this program. Despite this, it has been very underutilized in the state. Title XX participation means that all eligible costs are reimbursed at the rate of 75 percent by the federal government.

The local government allocation for the donated funds program should be raised to at least $15-20 million. A funding approval process should be developed that encourages integrated state/local planning so services will not be duplicated, but rather will address the local community's needs. The "training" section of the donated funds program should be made available to local governments to encourage the development of a capacity for social services planning, evaluating and budgeting at the local level. Only $1.5 million is allocated in the budget for local training purposes, to be shared among both governmental and non-profit agencies.

## SUMMARY

For some time now, local government officials have had to endure charges of being wasteful with the public purse. In turn, local officials have pointed to state

laws such as Chapter 766; compulsory and binding arbitration (for local public safety officers but not for state employees); the MBTA; the pension system operated under state laws; the Emergency Medical Services program (a worthwhile law without any funding); the State Building Code law (a shifting of enforcement duties from the state to the local level without compensation); and numerous other new demands being placed on the property tax. In the fact of this, it might be revealing to look at the record over the past four years of three main tax sources affecting the individual taxpayer:

Local Property Tax (including motor vehicles):

| | |
|---|---|
| 1973 | $2.226 billion |
| 1976 | 2.694 billion |
| % increase | 21% |

State Income Tax:

| | |
|---|---|
| 1973 | $ 876.8 million |
| 1976 | 1,216.0 million |
| % increase | 39% |

State Sales Tax:

| | |
|---|---|
| 1973 | $230.0 million |
| 1976 | 347.5 million |
| % increase | 51% |

It does not appear that local officials have made unreasonable demands on the taxpayer. On the contrary, in the face of many new state and federal demands and no appreciable increase in state aid, the percentage increase in property tax receipts during this period was surprisingly low. In FY 1977, however, local property taxes soared 13 percent as several circumstances -- including recession effects and declining state aid -- combined. The FY 1978 state budget as submitted again will have a negative effect on the ability of local officials to control local tax rates.

Programs such as special education, if left unchecked, will negate other positive efforts. Laws such as binding arbitration, if left on the books, will preclude the ability of local officials to be ultimately responsible for the tax rate.

The Boston Globe, in its commentary on the Governor's budget, expressed the issue quite succinctly.

"The Governor's budget virtually stands still in terms of aid to local governments." It can "cause long-range trouble with the cities and towns and ultimately with the taxpayers." The burdens being placed on the property tax reflect "a problem the state has not yet begun to face and that the Dukakis administration is running away from: basic reform in the revenue-raising system."

EXHIBIT A

Boston Evening Globe Friday, January 28, 1977

# Dukakis's third budget

At nearly the instant Governor Dukakis was presenting the third budget of his term, a senior member of his cabinet was asked—in quite a different context—what was his biggest unsolved problem.

He hesitated for a moment or two and then said, rather to the surprise of those listening, that it was the municipal real estate tax. That the answer was one of the harshest possible commentaries on the Dukakis budget because it pointed quite clearly at a problem the state has not yet begun to face and that the Dukakis adminstration is running away from: basic reform in the revenue raising system.

Right now everyone seems worried about Boston. There has been a spectacular rise in its real estate tax—from $196 to $252. But Boston is a city with considerable viability. It is a major financial center; it is still a major retailing center; and it has two major "export" industries, in education and medicine.

Boston's case is different from smaller cities around the state— troubled cities like Lynn and Somerville that have lost both industry and residents. Those cities lack the magnetism to draw new activity and must fill the gap, when commercial taxpayers fail, by overburdening residential taxpayers whose incomes are in trouble because some of them have lost their jobs.

The state has been in trouble too. It is still bruised by a recession that has not cleared its last imposts on the state in terms of disrupted businesses and high unemployment. It has had to incur debt to cover operating deficits, and will be paying off those debts for two more years.

But the state has in a sense been the fly-wheel for local government in the past, insisting on high standards in vital areas like education and providing some support through reimbursement programs.

Above all, the state has a tax structure that is income-oriented rather than property oriented. In general, its taxing power is felt primarily by those best able to pay and, within those groups, is applied uniformly across the state.

The real estate impact is quite different. Boston's tax rate is approximately 10 percent of market value. Weston, with a far larger per capita income, taxes its real estate at about 2 percent of real value.

But the governor's budget virtually stands still in terms of aid to local governments. His local-aid requests total $1.02 billion—up a bit from this year's $1.001 billion—but less than the rate of inflation, and actually lower than last year's final aid of $1.05 billion. Local-aid cuts will mean an increase in the pressures on local tax systems, aggravating the flaws in the over-all state-local tax system.

In two other areas, within state government, the Dukakis budget will actually breed problems.

By eliminating cost-of-living increases in welfare payments, the governor's budget is applying pressure on the part of the population least able to pay.

And, by refusing to fund pay increases for state employees won during valid collective bargaining sessions, the governor has threatened the morale of state workers, since it is clear that enough of them will have to be fired to allow the bargained increases to be paid. Because the failure to fund is applied uniformly to all departments, it takes no account of differences among the departments in efficiency of operation or need. Some fat may be cut out. So will some muscle.

In past years, the Legislature has developed its own responses to the Dukakis budget proposals, but this year the Legislature is in considerable disarray. The House is preoccupied in part by the impending cut in its size. Its speaker is hospitalized and will not return for an indefinite period. The Senate is swept up by the trials of two of its members and allegations involving a third. So the prospects for revisions are an uncertain proposition at best.

The Dukakis budget will undoubtedly be popular in a political sense, appropriate to the year before a campaign for reelection. But it can also cause long-range trouble with the cities and towns and ultimately with taxpayers. It fails to come to grip with the areas Michael Dukakis regarded as his strong points: tax reform and solution of social problems. And those problems cannot remain unsolved forever.

TABLE I

THE GOVERNOR'S BUDGET MESSAGE SAYS THAT ASSISTANCE TO CITIES AND TOWNS IS UP $46 MILLION:

| | | |
|---|---|---|
| + | $12.0 million | (up 25%) - Numbers Game |
| + | 8.0 million | (new item) - County Court Costs |
| + | 10.8 million | (up 15%) - MBTA |
| + | 7.8 million | (up 24%) - Housing Programs |
| + | 4.2 million | (up 4%) - State share, teachers retirement |
| + | 2.2 million | (up 2%) - Aid to regional school districts |
| + | 0.6 million | (up 19%) - Highway and other mass transportation |
| + | 0.4 million | Other miscellaneous accounts |
| | $46.0 million | |

WHAT WILL THE CITIES AND TOWNS SEE FOR THEIR BUDGETS?
(The percentages below are statewide figures and cannot be used directly for individual municipalities)

| Receipts | Pluses | Minuses |
|---|---|---|
| Vocational Education | | -3% |
| School Construction | +14% | |
| Racial Imbalance | + 6% | |
| Pension to Teachers | + 9% | |
| School Transportation | | -29% |
| Loss of Taxes Reimb. | + 5% | |
| Veterans Benefits | | -29% |
| Special Ed. (Ch. 766) | +92.5% | |
| School Aid (Ch. 70) | | -25% |
| Lottery | +25% | |
| **Assessments** | | |
| County Tax | | -8% (maybe) |
| MBTA | +10% (est.) | |

EQUALIZED VALUATION

Again, we will remind every municipality that what happens on your own cherry sheet may be significantly affected by the new equalized valuation figures - and how the percentage change in your equalized valuation compares to the 15.3% statewide average increase. Percentage changes cited in overall state aid accounts likely will not be reflected exactly in each individual municipality.

TABLE II

SUMMARY OF STATE AID ACCOUNTS

PROPOSED BUDGET - FY 1978

I. PAYMENTS TO CITIES, TOWNS AND REGIONAL SCHOOL DISTRICTS (CHERRY SHEET ITEMS):

| ITEM | CITATION | FY 1977 (MILLIONS) | FY 1978 PROPOSED (MILLIONS) | CHANGE + | CHANGE - |
|---|---|---|---|---|---|
| School Aid | Ch. 70 | $352.3 | $264.7 | | <$87.6> |
| Special Education | Ch. 766 | 95.7 | 184.3 | $88.6 | |
| School Construction | Ch. 511 (1976) | 100.0 | 111.0 | 11.0 | |
| School Transportation | Ch. 71, S.7A, 16C, 37D | 48.0 | 33.0 | | <15.0> |
| Vocational School Reimb. | Ch. 74, S.8A, 9-12 | 43.4 | 45.6 | 2.2 | |
| Motor Fuels Tax | (1¢ on gas tax) | 24.8 | 25.1 | 0.3 | |
| Regional School Districts | Ch. 71, S.16D | 23.7 | 25.0 | 1.3 | |
| Pensions to Ret. Teachers | Ch. 32, S.20(2)(c) | 14.6 | 15.9 | 1.3 | |
| Loss of Taxes, State-owned Prop. | Ch. 58, S.13-17A | 14.7 | 14.5 | | <0.2> |
| Highway Aid - Outside MBTA | Ch. 825 (1974) | 18.5 | 18.5 | | |
| Racial Imbalance | Ch. 76, S.12, 12A | 5.8 | 6.8 | 1.0 | |
| Equal Education Improvement | Ch. 15, S.1 | 6.0 | 6.0 | | |
| Magnet Education | Ch. 698 (1974) | 3.0 | 3.0 | | |
| Veterans' Benefits | Ch. 115, S.6 | 7.3 | 5.2 | | <2.1> |
| School Lunch | Ch. 871 (1970) | 6.7 | 7.0 | 0.3 | |
| Bilingual Education | Ch. 70 | 4.0 | 4.0 | | |
| Real Estate Abatements | Ch. 58, S.8A<br>Ch. 59, S.5 | 3.4 | 4.6 | 1.2 | |
| Police Career Incentive | Ch. 41, S.1081 | 1.6 | 1.7 | 0.1 | |
| Highway and Fringe MBTA | Ch. 825 (1974) | 2.5 | 1.25 | | <1.25> |
| Transportation of Pupils - Common Carriers | Ch. 71, S.7B | 0.7 | 0.7 | | |
| Public Libraries | Ch. 78, S.19A, 19C | 4.7 | 4.8 | 0.1 | |
| School Breakfast Program | (new mandated program) | | 1.5 | 1.5 | |
| Elderly Lunch Program | Ch. 15, S.1L | 0.7 | 0.7 | | |
| Other | | 7.8 | 7.35 | | < 0.45> |
| | TOTAL | $789.9 | $792.2 | $2.3 (net) | |

PROPOSED BUDGET - FY 1978 (cont.)

II. PAYMENTS TO AUTHORITIES:

| ITEM | CITATION | FY 1977 (MILLIONS) | FY 1978 PROPOSED (MILLIONS) | CHANGE + | CHANGE - |
|---|---|---|---|---|---|
| Housing Programs | Ch. 121B | $ 24.4 | $ 30.5 | $ 6.1 | |
| MHFA Interest Subsidy | Ch. 855 (1970) | 8.1 | 9.8 | 1.7 | |
| MBTA | | 73.8 | 84.6 | 10.8 | |
| Other RTA'S | | 2.1 | 2.9 | 0.8 | |
| Other Highway and Mass. Transit | | 1.0 | 0.8 | | <0.2> |
| | TOTAL | $109.4 | $128.6 | $19.2 (net) | |
| III. State Share of Teachers Retirement | Ch. 32 | $102.5 | $106.7 | $ 4.2 | |
| | GRAND TOTAL | $1,001.8 | $1,027.5 | $25.7 | |

TABLE III

SUMMARY OF UNDERFUNDED LOCAL AID ACCOUNTS

PROPOSED FY 1978 BUDGET (H 1)

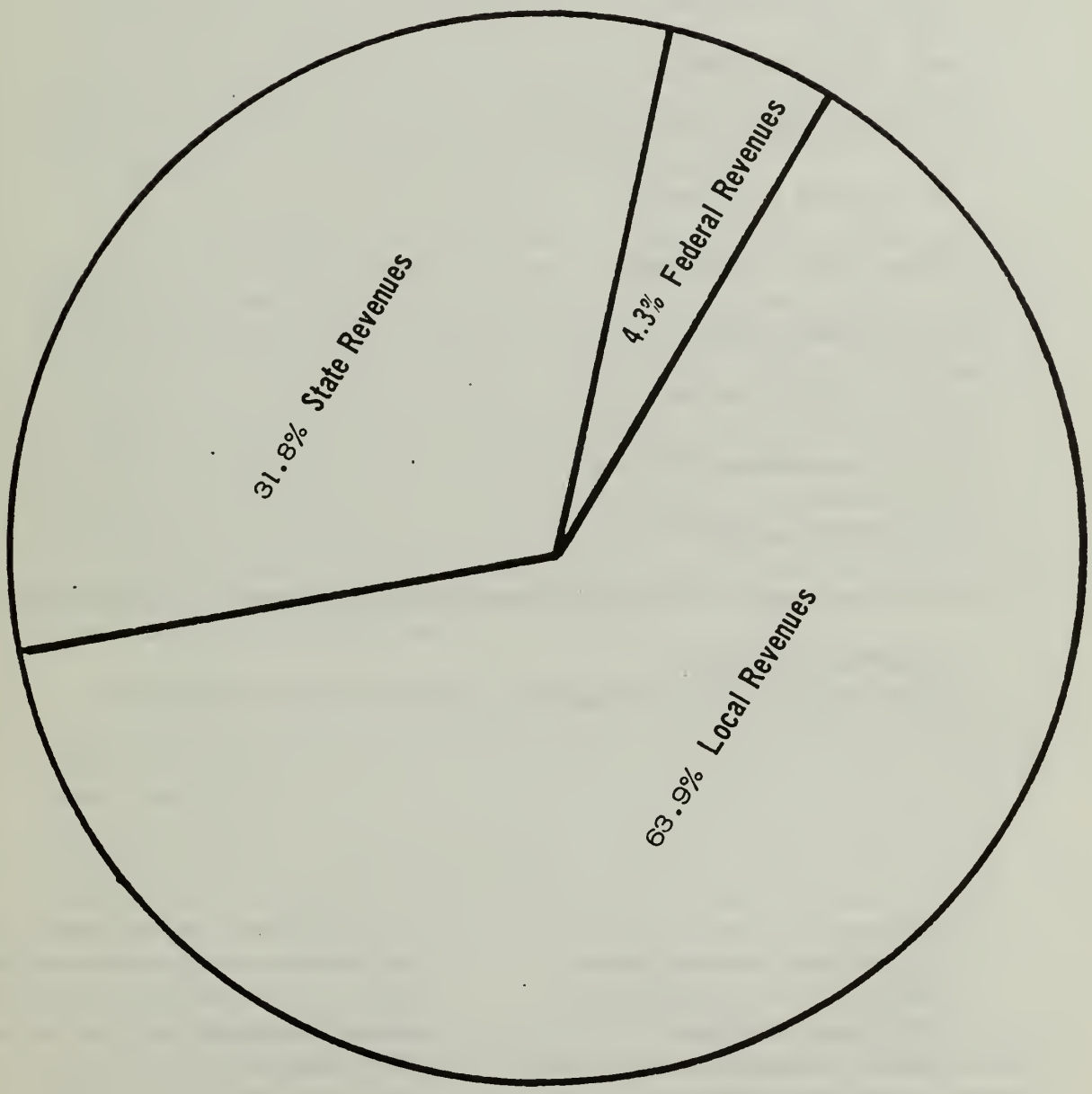
| ITEM | AGENCY REQUEST | BUDGET | ESTIMATED % FUNDED |
|---|---|---|---|
| Veterans' Benefits | $10,555,000 | $ 5,200,000 | 49% |
| Racial Imbalance | 7,500,000 | 6,800,000 | 91% |
| Magnet Education | 4,500,000 | 3,000,000 | 67% |
| Vocational Education | 59,485,000 | 45,600,000 | 77% |
| Transportation of Pupils | 58,500,000 | 33,000,000 | 56% |
| School Breakfast Program | 2,418,000 | 1,500,000 | 62% |
| Regional School Districts | 32,500,000 | 25,000,000 | 77% |

In addition to the above items, Chapter 70 aid entitlements for FY 1978 are presently estimated at about $541 million. The amount proposed to be distributed for FY 1978 is $264.7 million ($292.3 current basis less $27.6 million "recovered" from FY 1977 Chapter 70 payments to be diverted to pay additional FY 1977 Special Education costs). Chapter 70 aid for FY 1978, thus, will be roughly equivalent to a 48% funding of entitlements.

# FINANCING PUBLIC EDUCATION

# IN MASSACHUSETTS

# State Aid to Education in Massachusetts




Total Cost of Education in Massachusetts

**Massachusetts Department of Education**
**Revised March, 1976**

March, 1977

Massachusetts Board of Education

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# STATE AID TO EDUCATION IN MASSACHUSETTS

## Introduction

This paper is intended to be a concise description of the major forms of state aid to education in Massachusetts. It is not designed as a guide for school districts wishing to apply for aid under the various categories of available educational assistance. Nor does it purport to be a critical analysis of these programs. Instead such concerns will be examined in a future publication of the Department's Office of Executive Planning. Rather, it is intended to provide a general overview for persons interested in the overall framework of state education aid programs for Massachusetts.

In FY 1975 in Massachusetts, the state contributed approximately 31.8% of the total statewide cost of public education, while 63.9% was drawn from local revenue resources, and 4.3% came from federal aid programs. State aid to local school districts consists of the large general aid program, Chapter 70, and various types of categorical aid to specific programs, such as vocational education, or takes the form of reimbursement for non-programmatic local educational expenditures, such as school transportation and construction. In general, almost all state aid is in the form of reimbursements by the state to cities and towns for expenditures made at the local level. In other words, local school districts incur expenditures for the support of educational services in anticipation of future state reimbursement.

These local school districts are most commonly coterminous with the 351 cities and towns in the Commonwealth. In addition, a number of municipalities are members of regional school districts which may embrace some or all grades and which may be special purpose districts. Thus, there are regional district academic as well as vocational technical schools. Finally, many local school districts are members of special purpose collaboratives. With very few exceptions, however, state aid is received directly only by either local school districts or regional school districts.

The Department of Education has the chief responsibility for the administration of the state aid programs described in this paper. Other state agencies play a vital role in the administration of education and non-education aid to local governments. The Executive Office for Administration and Finance, the Department of Corporations and Taxation, and the Comptroller's Office are other state government

agencies with heavy responsibilities in the budgeting, accounting, and payment of aid to local governments. This report, however, will not attempt to explain the internal administration of these aid programs.

The paper is organized into two sections. The first explains the larger structure of state aid to local governments and how education aid relates to that structure. The second section describes the major education aid programs: Chapter 70 and the larger categorical reimbursement programs.

This report has been prepared by Bruce Perlstein (Office of the Commissioner of Education) with the assistance of Leo Turo (Bureau of School Management Services), Ramona Hilgenkamp (Bureau of Budget Management), Fred Williams (Division of Administration and Personnel), Dave Keeler (Division of Special Education) and James Bradley (Bureau of External Audit).

1. State Aid To Local Governments

Until FY 1976, state aid to local governments was of three major types: various reimbursements automatically drawn from a single guaranteed distribution from the General Fund, automatic distributions from other funds, and reimbursements appropriated from the General Fund. Only the last of these requires annual legislative appropriations; the first two are distributed automatically each year without appearing in the state's budget. The first of these, the guaranteed distribution, had included three of the largest state aid programs for education. Starting with the FY 1976 state budget, this was converted into a single, annual legislative appropriation. The second, state aid for school transportation provided by public carriers under Chapter 71, Section 7B, was also changed to an annual appropriation in FY 1977.

A. Former Guaranteed Distribution

In 1969, legislation was enacted (amending Chapter 58, Section 18A) which established a guaranteed distribution to the cities and towns. The act provided that the amount of the guaranteed distribution in 1970 would be $239.6 million drawn from the General Fund and would be increased yearly thereafter by the same percentage as evidenced in the annual percentage growth in revenues from the limited 3% sales tax. The guaranteed distribution at that time contained four reimbursement programs: the machinery basis, special education, Chapter 70, and the valuation basis distributions.

In 1971, the legislature provided (under Chapter 71A) for reimbursement for programs in transitional bilingual education and specified that such reimbursement be drawn from the guaranteed distribution.

In 1972, the legislature enacted Chapter 766, providing state aid to a comprehensive system of special education programs in all communities in the Commonwealth. This act modified chapters 69 and 71, which had previously governed state aid to special education programs. The aid to be paid under Chapter 71B, Section 13 of the General Laws, as inserted by Chapter 766 of the Acts of 1972, is also drawn from the guaranteed distribution.

Prior to 1974, there were 2 additional non-educational state aid programs drawn from the General Fund. The first, the machinery basis distribution, was in fact fixed at $9 million and had first call on the revenues available in the General Fund. The other, the valuation basis distribution,

was the last of the distributions to be funded, and in fact had not been funded in recent years since the preceding distributions always completely exhausted the revenues available. In 1974, the Legislature enacted Chapter 492 which, as amended in 1975, abolished these two latter aid distributions and set the total size of the guaranteed distribution at $452 million for FY 1976. It also continued the statutory requirement that the size of the guaranteed distribution would increase annually by the same percentage as the yearly percentage increase in the revenues generated by the state sales tax. Finally, the state budget for FY 1976 eliminated the guaranteed distribution by amending Chapter 58, Section 18A and established that commencing with the aid to be distributed in FY 1976, the distributions formerly drawn from this "pot" of monies automatically, without annual legislative action, would henceforth be subject to a single lump-sum annual appropriation by the legislature.

Each distribution is funded in a specific order of priority from this single appropriation. The present order in which funds are drawn from this single lump-sum appropriation is as follows: special education aid, bilingual education aid, and finally Chapter 70 general school aid. The available funds are depleted as each distribution is funded. The lowest priority distribution, Chapter 70, usually cannot be fully funded. When the state is unable to pay 100% of the aid entitlements due under Chapter 70, each community receives an equally prorated share of its entitlement. The following table lists the proration percentages applied since 1966 to the entitlements of these communities.

| Distribution Year | Proration | Distribution Year | Proration |
|---|---|---|---|
| 1966 | 39.5 | 1971 | 100.0 |
| 1967 | 55.9 | 1972 | 87.0 |
| 1968 | 70.1 | 1973 | 86.0 |
| 1969 | 65.0 | 1974 | 84.0 |
| 1970 | 100.0 | 1975-76* | 82.9 |

*1975-76 was a special 18 month transitional year as the state shifted its Chapter 70 distribution cycle from a calendar to a fiscal year basis.

The total size and order of the distributions drawn from this appropriation, listed in order of funding, were most recently modified by legislative action in 1974 and 1975. For FY 1975, the order of priorities among the three programmatic reimbursement categories was as follows:

General Fund Distributions

| | Total Aid Distributed | Total Aid Entitlements |
|---|---|---|
| Special Education, Chapters 69 and 71 | $ 44,277,583 | $ 44,277,583 |
| Transitional Bilingual Education, Chapter 71B, Section 8 | 1,738,277 | 1,738,277 |
| Chapter 70 School Aid | 362,803,060* | 400,384,111 |
| Total Aid Distributed | $408,818,920 | $446,399,971 |

*Note that these are the Chapter 70 aid entitlements distributed during calendar year 1975. Starting in FY 1977, Chapter 70 will be distributed on a fiscal year basis.

Sources:

Department of Education, End of Year Financial and Pupil Data Report, School Year 1973-74.

_____, Invoice-Warrants for Fiscal Year 1974-75.

_____, Analysis of School Aid to Massachusetts Cities and Towns: Distribution Years 1974-75 and 1975-76 --- Chapter 70 Amended.

B. Distribution from Other Funds

Distributions drawn automatically from other pre-established state treasury funds, other than the General Fund, without the necessity of annual legislative action, represent the second form of state aid. The only education-related aid of this type provides for state reimbursement to local communities for expenditures incurred in the support of school transportation services provided by public carriers (Chapter 71, Section 7B), and was drawn from revenues generated by the cigarette excise tax until FY 1976. This was changed by the FY 1976 state budget which established a Mass Transportation Fund, drawn from the revenues accruing to the Commonwealth from the cigarette, meals, and motor fuels excise taxes. In Fiscal Year 1975, total aid provided under this distribution was $1,184,768.

C. Appropriations from the General Fund and Other Funds

The third form of state aid consists of various reimbursements annually appropriated by the Legislature and then drawn from the General Fund or other funds. Unlike the distribution described above, appropriated items are not tied directly to revenue from a particular state tax source. The sizes of these appropriations are determined annually by legislative action and are not limited to a particular source of revenue (such as the cigarette excise) or by a system of prioritized funding.

Reimbursements are paid to local governments after they have expended funds for a particular state-encouraged activity. Table 2 presents the fourteen major education-related appropriated reimbursements:

Table 2

General Fund Appropriated
Education Reimbursement Programs

| Funding Source | Program | FY 1975 Aid Distributed (millions) | FY 1975 Budget Appropriation (millions) |
|---|---|---|---|
| General Fund | Racial Imbalance Program (METCO) (Chapter 15, Section 11). | $ 4.225 | $ 5.305 |
| General Fund | Vocational Education Reimbursement (Chapter 74, Section 9) | 34.671 | 34.778 |
| General Fund | Vocational Education Tuition Assistance (Chapter 74, Section 10) | 2.071 | 2.123 |
| General Fund | Agricultural Instructors Salary Reimbursement (Chapter 74, Section 11) | .160 | .203 |
| General Fund | County Agricultural Schools (Chapter 74, Section 12) | 1.604 | 1.655 |
| General Fund | Vocational School Transportation (Chapter 74, Section 8A) | .363 | .546 |
| General Fund (but drawn from Mass Transportation Fund starting in FY 1976) | School Transportation: Privately Contracted, Regional School, and Racial Imbalance Transportation Services (Chapter 71, Sections 7A, 16C, and 37D) | 44.433 | 46.433* |

| Funding Source | Program | FY 1975 Aid Distributed (millions) | FY 1975 Budget Appropriation (millions) |
|---|---|---|---|
| General Fund | School Building Assistance (Chapter 645 (1948); as amended by Chapter 346 (1954), Section 6A; Chapter 492(1974); as amended by Chapter 436 (1975), and Chapter 302 (1976); | $ 112.574 | $ 112.574 |
| | Rehabilitation Assistance | 3.0 | 3.0 |
| General Fund | School Lunch Program - partial assistance (Chapter 538 (1951)) | 6.593 | 8.2 |
| General Fund | Regional School Program Aid (Chapter 71, Section 16D; as amended by: Chapter 779 (1967); Chapter 492(1974); Chapter 436 (1975)) | 23.567*** | 32.114 |
| General Fund | Magnet Education (Chapter 76 Sections 12A and 12B; as amended by Chapter 636(1974))** | 1.961 | 1.961 |
| General Fund | Equal Education Improvement Fund, (Chapter 76, Sections 12A and 12B; as amended by Chapter 363 (1974))** | 6.0 | 6.0 |
| General Fund | Free Public Libraries | 2.086 | 2.160 |
| General Fund | Regional Public Libraries | 2.566 | 2.566 |

* includes $12.767 million deficiency appropriation in FY 1975.
** aid programs established in FY 1975 during the 1974 legislative session
*** excludes $8.547 million that will be distributed in FY 1976 as aid for FY 1975.

Sources: State Budget, FY 1975
State Comptroller's Budget Report by Object, FY 1975

There are several additional, smaller appropriated state aid programs, such as for private school lunch programs.

## II. Description of Specific Aid Programs

### A. Aid to Education: Chapter 70

This section deals with Chapter 70 of the General Laws, the largest school aid program in Massachusetts - - - $362,803,060 distributed during calendar year 1975. In recognition of the rising cost of local government in the Commonwealth of Massachusetts, the Legislature in 1966 enacted a limited 3% sales tax and created the local aid fund. Eighty percent of the sales tax was earmarked for education assistance. In 1969, the Legislature established the guaranteed distribution as described previously. The state's budget in FY 1976 changed this fund into a single, annual line item appropriation. Chapter 70 aid is drawn from whatever revenues remain in this fund after the amounts due as aid for special education and transitional bilingual education have been distributed.

Chapter 70 has two purposes: to promote the equalization of educational opportunity in public schools of the Commonwealth, and to promote the equalization of the burden upon the cities and towns of the cost of school support. Only local school districts which are coterminous with the cities and towns are eligible for Chapter 70 aid; regional school districts cannot receive such reimbursements except indirectly through their assessments upon their member municipalities. Chapter 70 contains a percentage equalizing formula - - - that is, the state shares local school costs on a percentage basis with local school districts. The percentage varies according to local ability to pay for the cost of education. Ability to pay is defined in the formula contained in Chapter 70 as local equalized property value (i.e., equalized valuation) per school attending pupil (i.e., SAC, or the total number of pupils resident in a city or town and enrolled in public or private schools), divided by the state average equalized property value per school attending pupil.

A Chapter 70 school aid entitlement is computed for each local school district according to the following formula:

$$\left[1.00 - .65\left(\frac{\text{(local equalized valuation/school attending pupil)}}{\text{(state equalized valuation/school attending pupil)}}\right)\right] \times \left[\text{Reimbursable Expenditures}\right]$$

The following definitions contained in the law are important in understanding the formula:

(1) Chapter 70, Section 2 (e), "School Attending Pupil":

Any pupil in any school, kindergarten through grade twelve, resident in the city or town, as reported by the superintendent of schools in accordance with the requirements of section two A of chapter seventy-two;

(2) Chapter 70, Section 2 (a), "Equalized Valuation":

The equalized valuation of the aggregate property in a city or town subject to local taxation as most recently reported by the state tax commissioner to the state legislature under the provisions of section ten C of chapter fifty-eight (i.e., the full market value of all real property subject to local taxation within a city or town);

(3) Chapter 70, Section 2 (c), "Reimbursable Expenditures";

The total amount expended by a city or town during a fiscal year for the support of public schools during said year exclusive of expenditures for transportation, for food for school food service programs, for programs of vocational education as provided in chapter seventy-four, and for capital outlays, after deducting therefrom any receipts for tuition, receipts from the federal government, the

proceeds of any invested funds, and grants, gifts and receipts from any other source, to the extent that such receipts are applicable to such expenditures; provided, however, that amounts received by a city or town under this chapter as school aid shall not be so deducted. The commissioner of education may, by regulation, further define the expenditures and receipts that may be included hereunder;

(4) Chapter 70, Section 2 (d), "School Aid Percentage":

The amount by which one hundred percent exceeds the product, to the nearest tenth of one percent, of sixty-five percent times the valuation percentage; provided that, in applying the school aid formula under section four, the maximum percentage of state support shall be seventy-five percent and the minimum shall be fifteen percent;

(5) Chapter 70, Section 2 (f), "Valuation Percentage":

The proportion, to the nearest tenth of one percent, which the equalized valuation per school attending pupil of the city or town bears to the average equalized valuation per school attending pupil for the entire state;

(6) "Net Average Membership" in public schools:

The net average membership in the public day schools of a town for any school year is defined as the average membership for each year as shown by the school registers, increased by the number of pupils resident therein whose tuition in the public schools of another town the town has paid for not less than half such year and decreased by the number of nonresident pupils attending its schools for not less than half such year, for whom said town receives tuition from another town.

Ability to pay and need are measured by comparing the city or town's equalized valuation per school attending pupil to the statewide average. In other words, the city or town's average equalized valuation per school attending pupil is divided by the statewide average equalized valuation per school attending pupil to derive the valuation percentage. The valuation percentage so derived for each city and town is then multiplied by 65%, and the resulting product then subtracted from 100% to obtain the school aid percentage. The law states that the computed school aid percentage for a city or town cannot exceed 75% nor can it be less than 15%. In the distribution years 1974 and 1975-76, there were 88 and 102 cities and towns respectively for whom the lower limit of a 15% school aid percentage was applied. In 1974, there was only one community whose school aid percentage was prevented from exceeding 75%, while no city or town was affected by this limitation during the 1975-1976 distribution year.

Each city or town's Chapter 70 school aid entitlement is then computed by multiplying its total reimbursable expenditures by its school aid percentage. These entitlements it should be remembered are then prorated if there are not enough funds left from the original appropriated amount after the payment of aid for special education and bilingual education. The proration percentage applied to each city and town's entitlement is computed by dividing the amount of funds remaining by the statewide total of all such Chapter 70 entitlements.

There are four limitations in the law which must be applied in order to arrive at a certified school aid entitlement for each city and town.

The first limitation applies to those communities whose reimbursable expenditures per pupil enrolled in its public schools are in excess of 110% of the statewide average reimbursable expenditure per pupil in net average membership (i.e., per child enrolled in public schools). If a community's reimbursable expenditures are in excess of this statutory limitation, then the amount of reimbursable expenditures is reduced to meet the 110% limitation. For example, in the school year 1973-74, Brookline reported reimbursable expenditures of $11,284,910, or $2,265 per child in net average membership in its public schools. 110% of the statewide average reimbursable expenditure per child in net average membership for the same year was $1,125. Brookline's reimbursable expenditures were in excess of this statewide maximum limit; so the amount of reimbursable expenditures applied to its school aid percentage in the computation of its Chapter 70 aid entitlement was reduced to $5,604,750 (computed by multiplying Brookline's reported net average membership of 4,982 pupils by 110% of the statewide average reimbursable expenditure per child in net average membership, or $1,125). For the 1974 and 1975-6 distribution years, there were 74 and 81 cities and towns respectively to whom this limitation was applied in computing their aid entitlements.

A limitation which raises a city or town's reported reimbursable expenditures to an amount equal to 80% of the statewide average reimbursable expenditure per child is applied to those cities or towns which spent less than this amount per pupil. For example, in the 1973-74 school year, Spencer reported reimbursable expenditures of $1,673,902, or $753 per pupil in net average membership.

80% of the statewide average reimbursable expenditure per child for that year was $818. The amount of reimbursable expenditures used in computing Spencer's school aid entitlement ($1,819,232) was determined by multiplying its net average membership of 2,224 pupils by 80% of $1,023, or $818. This limitation was applied in the computation of the Chapter 70 school aid entitlements of 52 and 51 cities and towns for the aid distributed during 1974 and 1975-76. Until 1970, those cities or towns which received substantial aid from the federal government were subject to a statutory limitation which set a limit on the amount of state aid they might recieve. The total of school aid computed and the amount of federal aid received could not be in excess of 75% of their reported reimbursable expenditures. Chapter 455 of the Acts of 1970 changed this state aid limitation. No city or town may now be assigned an entitlement under Chapter 70 greater than 75% of its total reported, unadjusted reimbursable expenditures.

A final limitation requires that the amount of school aid a city or town shall receive must be at least 115% of the amount it received in 1965 under the old provisions of Chapter 70, plus any grants and reimbursements formerly paid under Chapters 69, 71, and 74 and now replaced by aid under a revised Chapter 70. For example, in 1973 Savoy's computed state aid was below 115% of the statutory aid minimum as defined above of $9,006. Therefore, the amount of school aid certified for Savoy was $9,006.

Prior to the passage of Chapter 492 of the Acts of 1974, data used in the computation of school aid was reported to the Department of Education in the summer and fall following the end of the school year in which the local school districts incurred expenditures and for which reimbursements were distributed in quarterly payments during the calendar year beginning in the January of that next school year. For example,

the data reported to the Department in the summer and fall of 1972 by each city and town on expenditures made in the school year 1971-72 were used to compute the school aid entitlements paid during the calendar year January 1, 1973, to December 31, 1973. In 1974, Chapter 70 aid to education was placed on a fiscal year basis. Thus, Chapter 70 aid to be distributed in quarterly payments during FY 1977 will be in the form of reimbursements for expenditures incurred during school year 1974-75 and reported to the Department in the summer and fall of calendar year 1975. Thus, the final quarterly payment under Chapter 70 occurs two years after the final date of the local expenditures which are being reimbursed.

The law also requires the Commissioner of Education to certify to the State Comptroller and the State Tax Commissioner no later than December thirty-first the school aid entitlement so computed for each city and town under the formula with the limitations described.

The sample computation below based on 1973-1974 school year figures, illustrates the operation of the formula and some of the limits described.

Sample Computation of Chapter 70 entitlement: Weston

1. $\frac{\text{Average equalized valuation per school attending pupil/local}}{\text{Average equalized valuation per school attending pupil/state}}$ = Valuation Percentage

Therefore, Weston's valuation percentage = $\frac{\$77,552}{\$40,148}$ = 193%

2. Multiply the valuation percentage by 65% and then subtract the result from 100% = School Aid Percentage

Therefore, Weston's unlimited School Aid Percentage = [100% - (193% x 65%)] = - 25.4%

The result is less than the 15% lower limit applicable to the school aid percentage of each city and town under Chapter 70.

Therefore, Weston was assigned a 15% School Aid Percentage.

3. Weston reported reimbursable expenditures of $4,554, 896 and a total public school enrollment of 2,671 pupils.

Thus, Weston's reimbursable expenditures per pupil in net average membership = $\frac{\$4,554,896}{2671} = \$1,705.$

This exceeded the statutory limit of 110% of the statewide average reimbursable expenditure per pupil in net average membership for school year 1973-74. Therefore, the amount of reimbursable expenditures used in the computation of Weston's Chapter 70 aid entitlement was $3,004,875, derived by multiplying its net average membership (2,671) by 110% of the state average expenditure per pupil ($1,125).

4. Finally, reimbursable expenditures are multiplied by the city or town's school aid percentage to produce a school aid entitlement.

Thus, Weston's school aid entitlement under Chapter 70 = 15% x $3,004,875 = $450,731.

Again, it should be remembered that this entitlement was multiplied by the proration percentage applicable in that distribution year due to the underfunding of Chapter 70 entitlements to determine the actual amount Weston received.

B. Aid to Education: Categorical Grants

Categorical grants are individual programs of state aid for specific types of educational expenditures.

The major categorical grants are described in alphabetical order below.

Bilingual Education (Chapter 71A, Sections 4 and 8)

School districts providing transitional bilingual education for children of limited English speaking ability receive reimbursement for 100% of their cost per pupil for such programs which exceeds their average regular day program per pupil cost for children of comparable age (i.e., their excess cost). The Department of Education is required by statute to set a maximum limit on the excess cost per pupil for which the state may reimburse local school districts. That portion of the cost of transitional bilingual programs which is equal to their average regular day program per pupil cost is reimbursable under Chapter 70.

Bilingual education aid is also drawn from the same, single lump sum funding source as special education aid. It draws on this "pot" of monies after special education aid but before Chapter 70. The total aid available to all school districts under this law was limited to $2.5 million in FY 1974, and $ million in FY 1975 and thereafter. It is paid in the fall of the school year following the school year in which such expenditures were incurred by local school districts.

Regional School Aid (Chapter 71, Section 16D)

Towns which joined regional academic or vocational school districts received 15% of their Chapter 70 aid payment as a bonus for regionalizing prior to the distribution of aid during FY 1976. Chapter 492 of the Acts of 1974, and Chapter 436 of the Acts of 1975, which amended Chapter 71, Section 16D of the General Laws, provide for a new pattern of regional school district aid distribution starting in the FY 1976 distribution year. Regional school districts rather than their member cities and towns are now entitled to receive such aid. The calendar cycle of expenditure and reimbursement of regional school aid was changed as well in the same way as noted above for Chapter 70 aid. Therefore, there is now up to a two year lag between local expenditure and eventual state reimbursement. In addition, regional school aid is now computed according to a modified Chapter 70 percentage equalizing formula, based on a district's reimbursable expenditures and its school aid percentage.

The computation of a district's reimbursable expenditures is subject to the same upper and lower limits (110% and 80% respectively of the statewide average reimbursable expenditure per child in net average membership) appearing in the Chapter 70 formula.

There is an additional clause which required that the equalized valuation be used in the computation of the aid entitlement of any city or town only during FY 1976 and FY 1977 not be greater than twice the equalized valuation of such city or town as of January 1, 1973.

The new formula also retains the 15% lower limit upon a district's school aid percentage appearing in the current Chapter 70 formula, although it omits the 75% maximum. In addition, it disticnguishes between fully and partially regionalized school districts, granting the former a higher aid entitlement than the latter, according to the following formula:

$$\left[\begin{array}{l}\text{Regional}\\ \text{District's}\\ \text{Reported}\\ \text{Reimbursable}\\ \text{Expenditures}\end{array}\right] \times \left[1.00 - .65\left(\frac{\begin{array}{l}\text{Average equalized}\\ \text{valuation per SAC}\\ \text{of member towns}\end{array}}{\begin{array}{l}\text{Average equalized}\\ \text{valuation per SAC}\\ \text{of all regional school}\\ \text{districts in the entire}\\ \text{state}\end{array}}\right)\right] \times \left[\begin{array}{l}\text{(a) .50}\\ \text{(partial regional)}\\ \text{OR}\\ \text{(b) .70}\\ \text{(full regional)}\end{array}\right]$$

Thus, the regional valuation percentage is computed as follows: the total equalized valuation of all cities and towns in the regional school district, divided by the total number of school attending children in public and private schools anywhere but residing in all cities and towns in the district (Chapter 72, Section 2A), is in turn divided by the average equalized valuation per school attending child in all the cities and towns which are members of regional school districts in the entire Commonwealth. This percentage is then multiplied by 65%, and the result subtracted from 100% to produce an aid percentage. This percentage, which as stated above cannot be less than 15%, is then multiplied by the regional school districts reported reimbursable expenditures, limited as set forth above. Fully regionalized school districts (K-12) are entitled to an aid entitlement equal to 70% of the amounts so computed,

while all partially regionalized school districts are entitled to 50% of these amounts.

Chapter 71, Section 16D regional school aid is an appropriated item. In FY 1974 the total amount distributed as aid to cities and towns under this program was $17,269,494.

School Construction Aid (Chapter 645,(1945)*

Aid to local school districts for capital expenditures and debt services was, until FY 1977, the largest single state categorical aid program. At present, only the programs of state aid under Chapters 70 and 71B, (i.e., Chapter 766) distribute greater amounts of reimbursements. In FY 1975, a total of $112,574,000 million was distributed under this program. School districts receive a percentage of the approved cost of constructing or remodeling a school building. Approved cost includes: fees, site development, construction, capital debt service, and original equipping of the school.

Prior to July 1, 1975, districts received 65% of the cost of construction if they were in an area of substantial or persistent unemployment. As defined by the statute (Chapter 707 of the Acts of 1968), all but 57 towns qualified for 65% aid in FY 1975. Regional school districts received 65% reimbursement if 60% of their member towns were in areas of substantial

* See Note on pp. 111-115

or persistent unemployment. Towns which were not members of regional school districts and which did not qualify for 65% grants received between 50% and 65% of their costs for construction depending on their property wealth per pupil relative to the state average, computed as set forth below:

$$\text{Aid Percentage} = .25 \left[ \frac{\text{equalized valuation per child in net average membership/state}}{\text{equalized valuation per child in net average membership/local}} \right]$$

The aid percentage so computed could not exceed 65% nor be less than 50%.

Regional school districts not qualifying for 65% reimbursement as areas of substantial or persistent unemployment as outlined above were assigned a construction aid percentage determined by the following formula:

$$\text{Aid Percentage} = .33 \left[ \frac{\text{statewide equalized valuation per child in net average membership in all regional school districts in the Commonwealth}}{\text{equalized valuation per child in net average membership in the regional school district}} \right]$$

The construction aid percentage so determined was not allowed to exceed 65% nor fall below 35%.

In 1974, the legislature enacted Chapter 492 which, as amended in 1975, changed Chapter 645, and

affected state aid to construction projects in cities or towns, on the one hand, and in regional school districts, on the other, approved after July 1, 1975. The former category of projects are now given a state construction grant aid percentage which is 50% of the quotient determined by dividing the most recently reported equalized valuation per school attending pupil in the particular school district by the equalized valuation per school attending pupil in all cities and towns in the state. The total grant, however, may not be less than 50% nor more than 65% of the approved cost of the project.

Construction grants for school projects in any fully regionalized school district (K-12) are computed by taking 60% of the same ratio specified above, except that; (a) the equalized valuation for a regional school district is computed as the total of the equalized valuations of the member municipalities, divided by the total number of school attending pupils residing in those cities and towns; and, (b) the numerator is the average equalized valuation per school attending pupil for all regional school districts in the entire state. The total grant, however, may not be less than 60% nor more than 75% of the approved cost of the project.

The total construction grant for a regional school district which does not include grades K-12 is 50% of the same ratio specified in the preceding paragraph. This grant as well is limited to not less than 50% nor more than 65% of the approved cost of the project.

To receive state aid, cities and towns appropriate money for the entire cost of building or remodeling a school. The entire amount may be raised by bond. The state pays to the town its share of bond principal and interest in equal annual installments throughout the period of repayment. School construction aid too is an appropriated item. Prior to FY 1976, there was a separate appropriation for state reimbursement for local expenditures incurred in renovating or rehabilitating existing buildings. In FY 1975, $3,000,000 was distributed under this program. This program has now been incorporated within the general school construction aid program.

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NOTE: (Updated material, March 1977)

The enactment of Chapter 302 of the Acts of 1976 in August of that year further amended the School Building Assistance Act (Chapter 645 of the Acts of 1948). This statute for the first time requires that the legislature annually fix a maximum on the amounts which may be committed (i.e., reserved) during that same fiscal year for the first annual reimbursement payments in any future fiscal year to cities, towns, regional school districts, and counties for a portion of their previous expenditures for school construction as well as any for interest payments. The limitation is implemented by requiring the State Board of Education to restrict the sum of the first annual state reimbursement payments for all school construction projects which it may approve during that year. Approval of projects aimed at reduction of racial imbalance or segregation are to be considered separately against a separate limitation on the commitment of funds. The decision as to which regular projects are to be approved is now based on the following four criteria, listed in order of priority:

1. Replacement of unsound or unsafe buildings
2. Prevention of or elimination of overcrowding
3. Prevention of the loss of accreditation
4. Replacement of or remedying obsolete buildings

The statute also requires that the projects to be approved must be in the best interests of the Commonwealth as well as those of the city, town, county, or regional school district.

NOTE: (Updated material, March 1977) cont.

The act also made certain changes in some of the formulas to be used in computing such grants. When determining the final approved construction cost of any approved project, 75% of any interest earned on the temporary investment before actual expenditure of the amounts borrowed to finance the project through the issuance of bonds or notes must be deducted. The minimum and maximum percentages of that portion of the grant to cities and towns intended as partial repayment of interest costs are now set at 65% and 40% respectively of 50% (previously 100%) of the interest costs. The Commonwealth's contribution toward construction projects for cities and towns is now limited to a maximum of 65% and a minimum of 50%. For fully regionalized school districts, the state's contribution toward the final approved cost of construction is limited to a minimum of 60% and a maximum of 75%. The approved costs of construction for partial regional school districts are now reimbursed using the same formula as that used for cities and towns. Expenditures for interest payments continue to be aided on the basis of 100% of such costs, applying the same formula for all regional school districts as that used for cities and towns.

Finally, 75% of the final approved cost of construction plus 75% of the full interest costs for projects which would serve to reduce racial imbalance or segregation are reimbursed.

As mentioned above, the amount to be reimbursed annually by the Commonwealth is determined by dividing the total amount of the grant by the number of years over which the indebtedness is to be repaid. The limitation referred to in the opening paragraph is applied to the first annual payment so determined which takes place during the fiscal year immediately following that in which construction is actually begun.

None of the changes outlined above affected any project approved by local vote prior to August 23, 1976, and then approved by the Board of Education after that date. Finally, the School Building Assistance Program was itself renewed through June 30, 1981.

The formulas currently applied are summarized below:

A] Cities and Towns

1 - Debt Retirement (i.e., Repayment of Principal)

$$= \underbrace{\left[.50\right] \times \left[\frac{\text{equalized valuation per school attending child - state}}{\text{equalized valuation per school attending child - local}}\right]}_{\text{Aid Percentage}} \times \left[\begin{array}{c}\text{final approved}\\ \text{construction}\\ \text{cost}\end{array}\right]$$

(minimum = 50%)
(maximum = 65%)

2 - Debt Service (i.e., Interest Payments)

$$= \underbrace{\left[.50\right] \times \left[\frac{\text{equalized valuation per school attending child - state}}{\text{equalized valuation per school attending child - local}}\right]}_{\text{Aid Percentage}} \times \left[\begin{array}{c}\text{50\% of total}\\ \text{interest}\\ \text{cost}\end{array}\right]$$

(minimum = 40%)
(maximum = 65%)

B] Regional School Districts

(Fully Regionalized K - 12)

1 - Debt Retirement (i.e., Repayment of Principal)

$$= \left[.60\right] \times \underbrace{\left[\frac{\text{equalized valuation per school attending child - state}}{\text{equalized valuation per school attending child - local}}\right]}_{\text{Aid Percentage}} \times \left[\begin{array}{c}\text{final approved}\\ \text{construction}\\ \text{cost}\end{array}\right]$$

(minimum = 60%)
(maximum = 75%)

2 - Debt Service (i.e., Interest Payments)

= the same formula as that used for cities and towns, but based upon 100%, not 50%, of such costs

(Partially Regionalized)

1 - Debt Retirement (i.e., Repayment of Principal)

= the same formula as that used for cities and towns

2 - Debt Service (i.e., Interest Payments)

= the same formula as that used for cities and towns, but based upon 100%, not 50%, of such costs.

C] County Schools

1 - Debt Retirement (i.e., Repayment of Principal)

$$= \left[.50\right] \times \left[\begin{array}{c}\text{final approved}\\ \text{construction}\\ \text{cost}\end{array}\right]$$

2 - Debt Service (i.e., Interest Payments)

= exactly the same formula as that used for cities and towns

D] Construction Projects Aimed at Decreasing Racial Imbalance or Segregati

1 - Debt Service (i.e., Repayment of Principal)

$$= \left[.50\right] \times \left[\begin{array}{c}\text{approved}\\ \text{construction cost}\end{array}\right]$$

2 - Debt Service (i.e., Interest Payments)

$$= \left[.75\right] \times \left[\begin{array}{c}\text{100\% of total}\\ \text{interest costs}\end{array}\right]$$

School Lunch (Chapter 548, 1948)

The state aids local school districts and private schools in providing school food services. State money is used to match federal and local money for local programs. The stated contribution varies according to the number and type of meals provided.

Assistance is available for:

school Type A lunches
school breakfasts
special milk program
elderly feeding program

State school lunch assistance is composed of various appropriation. The total amount distributed under the largest of these FY 1975 was $6,593,000.

Special Education (General Laws, Chapters 69 and 71)

The existing aid program for special education was changed dramatically in the school year 1974-75. Previously, the state reimbursed school districts which provided services for certain categories of children with special needs. For example, the state reimbursed local school districts for 50% of their operating expenditues incurred in providing classes for physically handicapped and emotionally disturbed. Public school programs for blind, deaf, and aphasic children were reimbursed 100% by the state. In addition to services in public schools, the state paid the full cost of tuition in private schools for some students with multiple handicaps. Some special needs children are provided with educational services in institutions operated by the Department of Mental Health, Division of Youth Services, and Department of Public Health. The state paid for the full cost of these services for students whose parents were financially unable to pay tuition.

More specifically, the state provided reimbursements for the following

special education services:

Chapter 69, Section 28 -- Special day classes for deaf pupils were reimbursed by the Commonwealth (from appropriated funds) for the reasonable cost of maintaining such a program, including necessary traveling expenses for pupils;

Chapter 69, Section 33 -- The Department of Education, upon determining the need for special classes for the education of blind children in a city or town in the Commonwealth, reimbursed such city or town (from appropriated funds) for the cost and maintenance of such classes and necessary traveling expenses for the pupils;

Chapter 69, Section 29B -- Reimbursed from the former guaranteed distribution one half the cost of instruction, training, traveling expenses, and support of the children in the following special classes and other special education programs:

Chapter 69, Section 29 -- Instruction for the speech handicapped and hard of hearing;

Chapter 69, Section 29C -- Audio equipment for the physically handicapped;

Chapter 69, Section 29D -- Recreation programs for the physically handicapped;

Chapter 69, Section 32 -- Sight saving classes;

Chapter 71, Section 46 -- Instruction of mentally retarded children;

Chapter 71, Section 46A -- Instruction of physically handicapped children;

Chapter 71, Section 46B -- Transportation of certain handicapped children to special schools;

Chapter 71, Section 46H -- Instruction of certain emotionally disturbed children;

Chapter 71, Section 46E -- Provided extra compensation for teachers of mentally retarded children in a sum not exceeding five hundred dollars for each teacher of such a class;

Chapter 71, Section 46F -- Reimbursed any city, town, or regional school district the cost of special audio equipment purchased, leased and/or maintained for the purpose of instructing special classes of instruction for certain handicapped pupils.

Chapter 766 of the Acts of 1972, which inserted a new chapter 71B into the Massachusetts General Laws, drastically changed this system of state aid to special education programs. It applies to the expenditures incurred for special education programs in the 1974-75 school year and thereafter. Reimbursements due a city, town, or regional school district for special education are required by law to be paid on or before November 20 in the fall following the end of the school year in which expenditures were incurred for the support of such programs. Thus, due to the time lag between state reimbursement and local expenditure, it affects all such aid paid in FY 1976 and thereafter. Besides mandating the provision of a comprehensive system of special needs evaluations and programs for all pupils between the ages of 3 and 21, it eliminated the division of state aid for special education into various specific disability related programs. In its place has been substituted a system of program prototypes based upon the amounts of time spent by a pupil in regular day program as opposed to that spent outside of regular day program in each special education program prototype.

To calculate reimbursement of special education program expenditures, the Department of Education first computes the local average expenditure per pupil in regular day program for different types of expenditures (including those for instructional services, tuition, evaluations and assessments, transportation, acquisition of equipment, etc). Next, similar computations are made for the local average expenditures per pupil for equivalent services in each special education program prototype. The difference between the two, or the "excess cost" per pupil for each type of service within each prototype, is then reimbursed in full by the state. Such reimbursement takes place during the fiscal year immediately following that in which local expenditures were incurred. The amount of such reimbursement for each special education pupil in a given city, town, or regional school district may not, however, exceed 110% of the applicable statewide average expenditure per pupil for each special education program prototype minus the state average expenditure per public school pupil for each type of service in regular day program. That portion of the per pupil cost for special education pupils which is equal to the local average per pupil expenditure on regular day program, and which falls within the definition of reimbursable expenditures contained in Chapter 70, Section 2 (C), is than eligible for reimbursement by the state under Chapter 70 during the second fiscal year following that in which the local expenditures were made. No school district can receive in any subsequent year less aid for special education than it received in the fall of 1974 (i.e., during FY 1975) as reimbursement for expendures on such programs in school year 1973-74.

Finally, as the result of both a state court decision and the enactment of Chapter 375 of the Acts of 1975, amending Chapter 71B, reimbursements made under

Chapter 71B, must now be kept separate from all other state aid and used by the school committee for special education program expenditures only. Furthermore, the school department budget must separately specify the amount included for special education programs.

## Transportation

The Commonwealth supports a substantial portion of the cost of transporting public school pupils - $46,998,456 in FY 1975. There are two general transportation reimbursement programs as well as several special aid programs for transporting students for specific purposes.

Local school districts receive reimbursements under Chapter 71, Section 7A for expenses incurred in providing privately contracted transportation services to students who live at least 1 1/2 miles from the schools which they attend. School districts receive 100% of approved transportation service expenditures in excess of $5 per pupil in net average membership (i.e., enrolled in public or private schools within the city or town). Cities and towns maintaining a public transportation system which is used to transport school children are eligible for reimbursement under Chapter 71, Section 7B for part of their direct and indirect costs, up to a maximum of 20¢ per eligible rider per day. Rider reimbursement eligibility is again subject to a 1 1/2 mile minimum distance requirement.

Cities and towns also receive reimbursement for one-half of the expenses they incur in trans-

porting those vocational education pupils whom the district tuitions out to such programs carried on in other cities and towns in schools at least 1 1/2 miles from their homes under Chapter 74, Section 8A. In addition, the state reimburses regional school districts for the full cost of transporting pupils who live at least 1 1/2 miles from the regional schools they attend under the provisions of Chapter 71, Section 16C.

Prior to the costs incurred during the 1974-75 school year, the state reimbursed cities, towns and school districts for 50% of their expenditures for transportation services provided to special needs pupils. This was changed beginning with the aid paid during fiscal year 1976 for expenditures incurred during school year 1974-75. Such expenditures are now aided in the same way as all other local costs incurred for speicial education programs. Thus, state aid to special education transportation services is now provided under Chapter 71, Section 13, as inserted by Chapter 766 of the Acts of 1972, outlined in the previous section.

Finally, the state provides 100% reimbursement for expenditures incurred in the transportation of pupils which has as its aim the elimination or reduction of racial imbalance. Such aid is provided under Chapter 71, Section 37D, as amended in 1974.

All of these programs of state reimbursement for local school transportation expenditures distribute such aid during the fiscal year immediately following that in which these local expenditures were incurred.

The following table shows the amount of state support for each category of transportation:

TABLE 4

| | State Share | Aid Paid 1974-1975 |
|---|---|---|
| Racial Imbalance | 100% | $1.335 million |
| Regional Schools | 100% | 10.645 million |
| *Special Education | 50% | 4.4 million |
| Vocational Schools | 50% | .359 million |
| Regular Privately Contracted Transportation | 100% of total amount over $5/NAM | 29.073 million |
| Public Carrier School Transportation | 100% of total amount up to 20¢/rider/day | 1.185 million |

*Changed as of FY 76 distribution

## VOCATIONAL EDUCATION (Chapter 74)

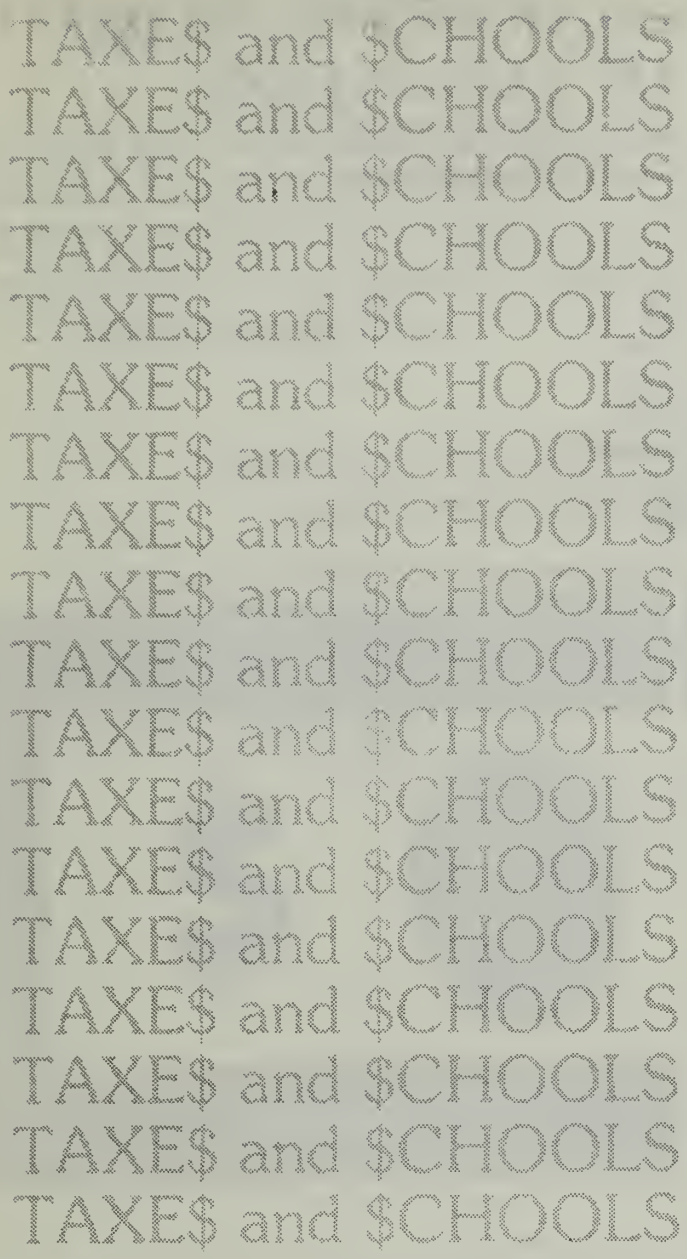
Under Chapter 74, Section 9, the state reimburses cities, towns and regional school districts for 50% of their net operating costs for approved programs in distribution education, industrial education, agricultural education, household arts education, and practical nursing education during the immediately preceding fiscal year.

The state also provides aid to county agricultural schools. Finally, a porition of the salaries of agricultural instructors in any local school district is reimbursed by the state. These other aid programs are carried on under the provisions of sections 10, 12, and 11 of Chapter 74. Under Chapter 74, the state does not reimburse local school districts for their expenditures on arts and office occupations programs (they are reimbursable costs under Chapter 70, however).

The Division of Occupational Education within the Department of Education is charged with the responsibility of determining which vocational programs are eligible for reimbursement under Chapter 74.

Policies and procedures applied by Division to occupational and technical education programs in making such decisions are contained in Bulletin 326. Briefly, Bulletin 326 requires: an adequate physical plant, adequate equipment, approved teachers, course quality to be supervised by the Division, and a relationship between cooperative employment and training. Under Chapter 74, only the net operating costs of vocational education programs are reimbursable, not start-up or expansion costs.

This reimbursement program supports regional vocational schools, local vocational schools, and approved occupational education courses in comprehensive high schools. In FY 1975, $34.571 million was distributed as reimbursements for such programmatic expenditures.




# TAXES and SCHOOLS in MASSACHUSETTS

## *A Proposal for Reform*

State Board of Education

Massachusetts Department of Education 1977

# MASSACHUSETTS BOARD OF EDUCATION

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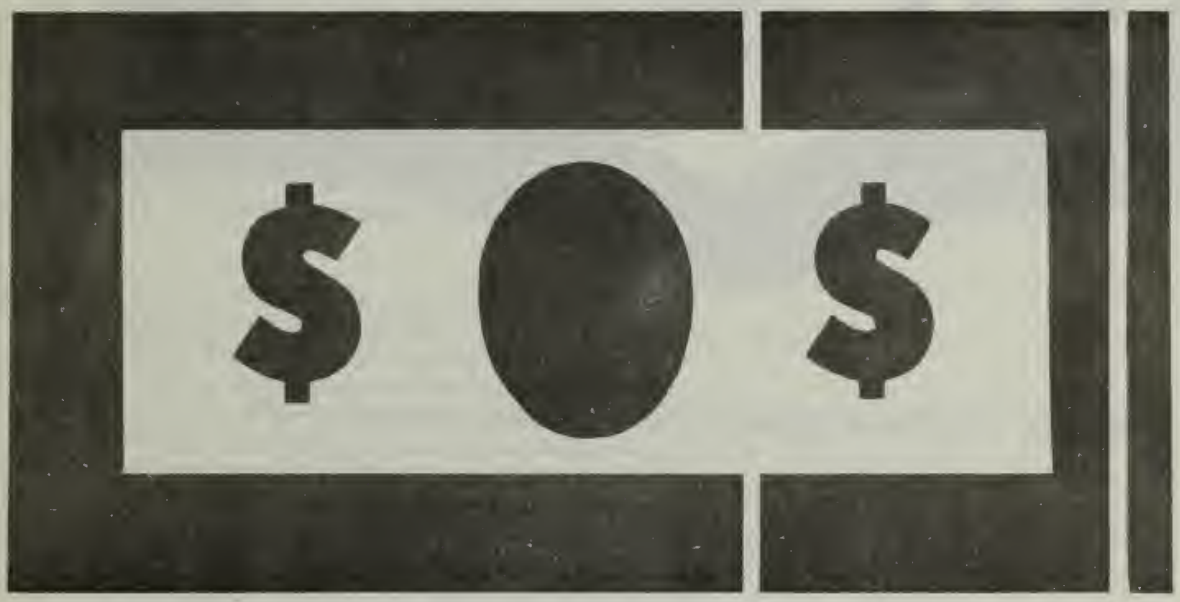
# PAYING FOR SCHOOLS

***EDUCATION IS A CONSTITUTIONALLY MANDATED STATE RESPONSIBILITY LEFT LARGELY TO LOCAL GOVERNMENTS TO FINANCE IN MASSACHUSETTS***

**Support of local public schools in Massachusetts (1974-1975)***



**63.9% local revenues**
**$1,304.2 million**

**31.8% State revenues**
**$649 million**

**4.3% federal revenues**
**$87.1 million**

*excluding state contribution to teacher's retirement fund

SOURCE: Massachusetts Department of Education, *End of Year Pupil and Financial Report, School Year 1974-75.*

# HISTORY OF SCHOOL FINANCE REFORM

Public school finance laws that make the quality of a child's education heavily dependent on local property wealth have been challenged in the courts more and more in recent years. Based on provisions contained in its own constitution and the equal protection clause (14th Amendment) of the United States Constitution, the California Supreme Court opened a new front in the legal battle for school finance reform:

In the first decision requiring equalization of educational expenditures, the California Supreme Court declared in Serrano vs. Priest (1971) that a child's education must depend on the wealth of the state as a whole and not on the wealth of his parents and neighbors.

Two years later in a decision rendered by its state supreme court, New Jersey's method of financing public schools was found to be in violation of a state constitutional requirement for a "thorough and efficient school system". (Cahill vs. Robinson, 1973)

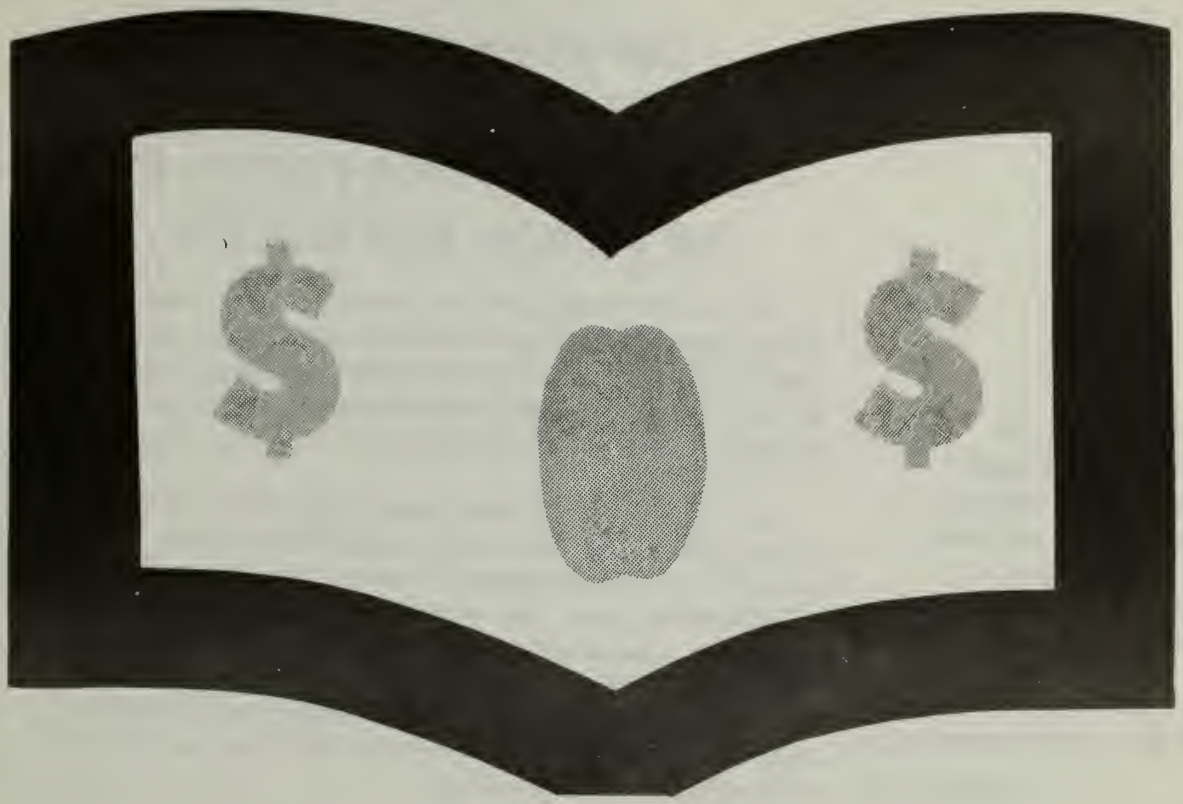
Reaffirming this trend, in 1973 the United States Supreme Court held in Rodriquez vs. San Antonio Independent School District that school finance reform was an issue to be settled either in state courts on the basis of state constitutional provisions or by state legislatures, and not by the federal courts on the basis of any provision of the United States Constitution.

These decisions, and others similar to them, have prompted legislatures in Maine, Kansas, Florida, Minnesota, Connecticut, Illinois, Utah, New Jersey, New Mexico, and California to revise their systems of financing public schools. To date, such reforms have achieved the following goals:

—increased state financial support for public education:

—reduced the reliance upon property taxes to pay for schools;

—produced greater recognition of local ability to pay for schools and the varying needs of school children in the determination of the extent of the state's financial contribution to the cost of schools in different communities.



***The property tax burden is caused mostly by schools.***

# STATE - LOCAL FINANCES

Local governments in Massachusetts are creatures of the state. The powers and structures of all local governments, including school committees, are determined by the state constitution and state laws. In particular, state law grants local governments only one source of local revenues to finance their activities: the local property tax.

Local property tax revenues contributed approximately 64% of the total cost of local public schools during the 1974-75 school year. That amount represented roughly 56% of all local property tax revenues collected during that same year.*

Source: Massachusetts Taxpayers Foundation, Inc., *Municipal Financial Data* (1976).
Massachusetts Department of Education, *End of Year Pupil and Financial Report, School Year 1974-75.*

# DIFFERENCES IN PROPERTY WEALTH —LARGE VARIATIONS IN SCHOOL BUDGETS

***In Massachusetts the amounts spent on each child's education depends to a great extent on local property tax resources which vary greatly between communities.***

The amount of local property wealth subject to taxation varies widely among the Commonwealth's 351 municipalities. For example, the richest community in the state has almost 76 times the local taxable property wealth per person as does the poorest community.

Heavy reliance upon local property tax revenues to finance schools has led to large differences in local property tax rates in different communities. During the 1974-75 school year, local school tax rates varied by 473%. It has also caused large differences in the amounts of local tax revenues spent on school children living in different cities and towns. Such per pupil expenditures of local tax revenues varied by 365% among the 351 cities and towns during the 1973-74 school year.

Highest property value per person is in Rowe: $366,238

(Lowest property value per person is in Chelsea: $4,833)
(RATIO: 76:1)

SOURCE: State Tax Commission's estimate of full market value of local property (1974), divided by the total population of the city or town according to the state census (1975).

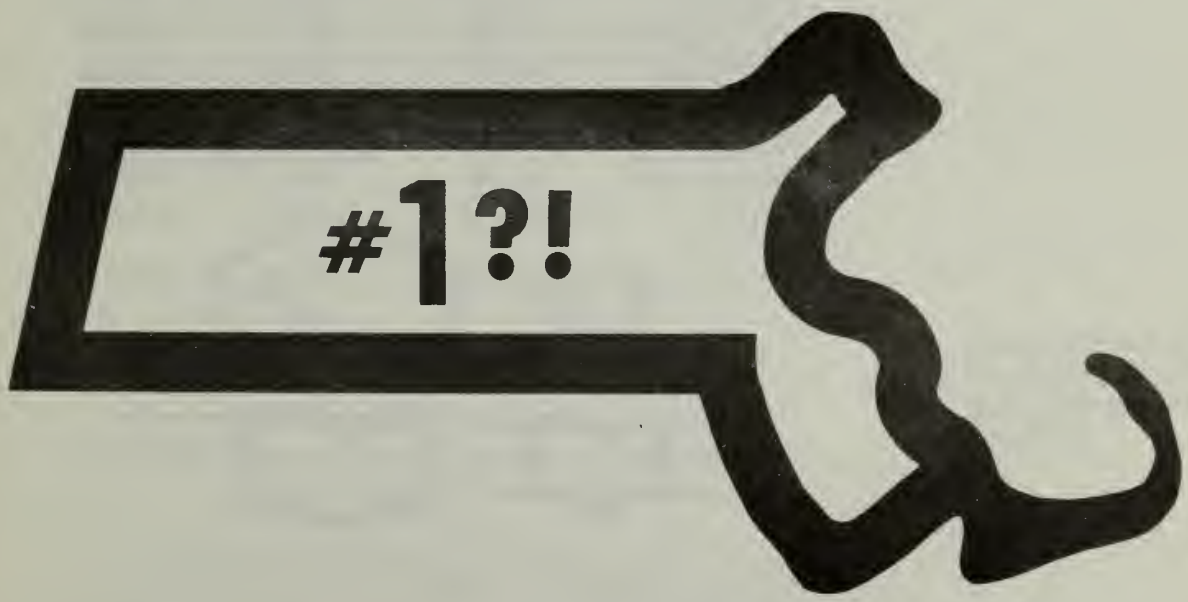
Educational expenditures per pupil range from: $2,372 in Mount Washington to $650 in Dunstable
(RATIO): 3.5:1)

SOURCE: Total revenues from all sources (federal, state, and local revenues) expended on public school pupils in net average membership during 1973-74 school year. Figures drawn from Massachusetts Department of Education, *Per Pupil Expenditures and Financial Profile, 1973-74*

# LOW STATE AID — HIGH LOCAL PROPERTY TAXES

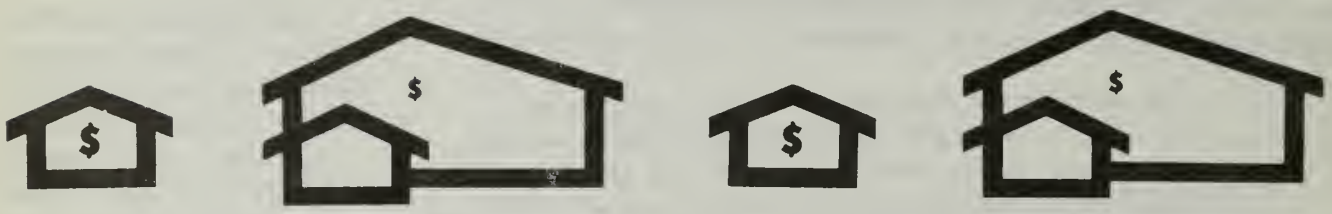
The major reason why Massachusetts relies so heavily upon the local property tax to finance schools is that the state contributes a relatively low share of the cost of education. The Commonwealth ranked 43rd among all 50 states during 1974-75 in terms of the percentage of the total cost of public education assumed by the state. The local property tax is therefore compelled to provide most of the revenues to support what is constitutionally a state responsibility. The result is that Massachusetts has the highest local property taxes of all 50 states.

***Massachusetts has the highest local property taxes of all 50 states.***



# INEQUITABLE DISTRIBUTION OF PROPERTY TAX BURDEN

Many poor cities and towns must tax themselves at a high rate to raise low to moderate levels of financial support for schools. Other wealthier communities with low tax rates are often able to spend far more on their school children. The results are a lack of equity in the provision of educational services and unfair differences in local property tax burdens among the cities and towns as demonstrated in the following chart:




## TAX RATES AND EXPENDITURES IN SELECTED COMMUNITIES (1974-75)

| | Equalized Local Property Value per Child[1] | School Tax Rate[2] | Local Revenue Expenditure per Child[3] |
|---|---|---|---|
| BOSTON | $ 23,248 | $32.99 | $ 966.14 |
| OXFORD | 23,545 | 29.39 | 743.61 |
| FALL RIVER | 27,025 | 25.43 | 929.79 |
| SCITUATE | 37,371 | 20.88 | 850.19 |
| MILTON | 53,510 | 19.08 | 1,473.58 |
| DOVER | 74,555 | 17.83 | 1,588.23 |
| BROOKLINE | 100,997 | 18.11 | 2,206.15 |
| DENNIS | 188,351 | 7.47 | 1,431.55 |
| STATE AVERAGE | $40,860 | $22.92 | $1,079.14 |

[1] Local full market property value subject to local taxation, as determined by the State Tax Commission, per school-attending child residing in the community and enrolled in a private or public school anywhere during the 1973-74 school year.

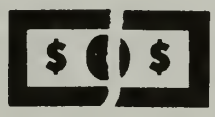
[2] Full market property value local school tax rate during 1974-75.

[3] Local revenues expended for schools for all purposes, minus state and federal grants, per pupil in net average membership residing in the community and enrolled in its public schools during 1974-75.

# STATE AID FOR SCHOOLS: AN INADEQUATE SOLUTION FOR THESE PROBLEMS

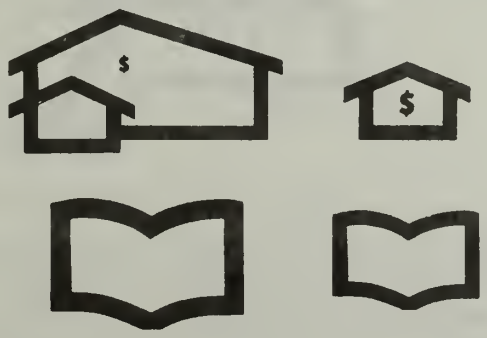
As mentioned before, the state contributed approximately 32% of the dollars spent on public schools in Massachusetts during the 1974-75 school year, while programs of federal financial assistance provided another 4%.

In the nation as a whole, states accounted for about 40% of funds spent on public education while the federal government contributed just under 8%. State aid to education in Massachusetts does particularly little to reduce inequities in the distribution of educational services and local property tax burdens:




*Largest state school aid program has been fully funded only twice.*

1. The state's largest program of school aid provided under Chapter 70 accounted for more than half of all state aid for schools in 1974-75. It is the only state aid program which seriously attempts to reduce these tax and educational inequities. Yet its impact has been greatly eroded by the fact that it has been fully funded only twice (in 1970 and 1971) since its enactment in its current form in 1966.



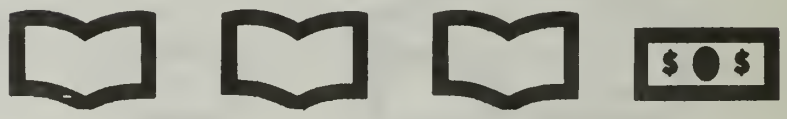

*Poorer communities tax themselves very heavily, yet often still raise less funds for schooling.*

2. Most other state aid programs do not compensate for the relative differences in local property tax wealth and tax rates in determining the amounts distributed to different communities. The result is often higher property tax rates and lower per pupil expenditures in poorer communities.

*State reimbursement funding causes up to a two year wait.*

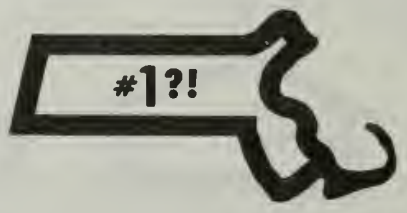
3. To qualify for state aid, municipalities must first expend funds raised through local property taxes and then wait up to two years to be reimbursed by the state. It is thus the local property tax which initially bears most of the normal growth in school budgets as well as the provision of new or expanded school programs, such as those special education services first mandated by the enactment of Chapter 766.

*Three programs compete for the same dollar.*




4. State aid dollars for bilingual, special, and regular day program education are all drawn from a single lump-sum appropriation. There is an unfair and illogical competition for the relatively inadequate amount made available for all three major state school aid programs. Thus, for every additional dollar distributed as aid for the costs of special and bilingual educational programs, there is one dollar less available as aid to regular education under Chapter 70. The result is that regular educational program services are under severe financial pressure as local property tax rates increase.

*Our state has a grossly unjust distribution of the tax burden.*




5. The local property tax is compelled to provide a greater share of the total revenues to support what is constitutionally a state responsibility in Massachusetts than in 42 other states. The property tax is perhaps the most regressive of all taxes, taking a larger share of the incomes of poorer families than of wealthier families. As a result: the Commonwealth has the highest local property taxes of all 50 states; there are great differences between communities in local property tax rates and the educational services offered school children; and there is a grossly unjust distribution of the tax burden of financing public schools.

# THE GOALS OF THE STATE BOARD OF EDUCATION FOR SCHOOL FINANCE REFORM IN MASSACHUSETTS

1 The state share of education costs should be increased in a manner which decreases reliance on the local property tax for the financing of public schools. The result would be substantial relief of local property taxes and a more equitable distribution of the burden of financing schools among the state's citizens.

*Increase the state's share.*

2. The objective of increasing the state share of education costs should be the elimination of existing inequalities in the educational opportunities available to school children in different cities and towns. This could be accomplished in a reformed state aid program by encouraging greater equality in the amounts spent on each child's education through a "levelling-up" process. This would not prevent any community from spending more than other communities, providing it did so solely out of locally generated property tax revenues.

*"Level-up" the funding of schools throughout the state.*

3. State aid should be on a forward-funding basis rather than reimbursement.

*Eliminate the wait for state aid funds*

4. A substantial portion of the state aid provided for certain specific educational programs (occupational, special, and bilingual education) should be earmarked for the additional costs of those programs. The aid formula should include a recognition of the differences in cost involved in providing services in different types of educational programs. Additional state aid should be given those urban districts serving concentrations of students coming from low income families.

*Earmark funds [illegible] programs and [illegible] districts.*

5. Any equalizing aid formula should be fully funded to achieve the maximum amount of equity in state aid distribution and local property tax relief.

*Guarantee full funding*

6. The overall percentage of the state's share of school costs will be determined primarily by decisions on revenue-raising. The additional revenues required to increase state aid should be based on a mix of tax sources rather than on any single one.

*Mix of the tax sources.*

7. Any school finance reform legislation should be phased in gradually over several years, to ease the assumption by the state of an increased share of the total cost of public education.

*Gradual transition*

# MANY FEATURES OF STATE BOARD'S BILL SAME AS THOSE IN BILLS OF OTHER GROUPS, INCLUDING THE LEGISLATURE'S SPECIAL COMMISSION ON UNEQUAL EDUCATIONAL OPPORTUNITY

The State Board of Education, the Massachusetts Taxpayers Foundation, the Massachusetts Teachers Association, and a number of Boston legislators have filed several comprehensive school finance reform bills in recent years. The State Legislature established a Special Commission on Unequal Educational Opportunity to study these bills and recommend a sound compromise. The State Board's new bill is almost exactly the same as that finally recommended by the Commission.

The bill would replace the separate Chapter 70, Special Education, Vocational Education, and Bilingual Education aid programs with a single comprehensive state aid statute which would utilize an equalizing foundation formula including a system of pupil weights to determine the amount of state aid to be received by each community.

*Key features of the foundation plan are:*

- *Aid will go directly to school committees in cities, towns, and regional school districts to offset local school appropriations.*
- *At least 70% of all state aid will have to be spent only on those services most directly benefiting students.*
- *No community may ever receive less aid in the future than it received from Chapter 70, Special Education, Vocational Education, and Bilingual Education aid during FY 1977 (a "save-harmless" provision ).*
- *School aid would be on a current funding basis, not a reimbursement system, thus eliminating the present lag between local expenditures and eventual state reimbursement.*
- *Commencing in FY 1981, cities, towns, and regional school districts must raise from local taxation an amount equal to the state average expenditure per pupil minus their state aid. This will insure that every child will have access to an adequately funded education regardless of the local property wealth of that pupil's community of residence (required local effort provision).*

## FOUNDATION PROGRAM

The state will share varying portions of local school costs, depending upon more accurate measures of the ability of a city or town to pay for schools and the educational needs of its students. In the state as a whole (and in the community of average wealth), the state will pay in FY 1978 35% of the statewide average expenditure per pupil. This state share will increase by 5% annually to an eventual 50% in FY 1981 and beyond. Local property taxes will support the remaining share, which will be 65% in FY 1978 and decrease by 5% annually to an eventual 50% by FY 1981 and thereafter. The additional costs of providing special programs for students in bilingual education, special education, and vocational education in each community will also be recognized. Through a system of pupil weights, a pupil's time in each of these special programs will entitle a community to additional state aid based on the average costs of such programs across the state. A small additional weight and thus more state aid will be given for low income students in recognition of the added cost of providing quality education to such pupils.

# Detailed Summary of Proposed School Finance Reform Bill

**(1) Funding**

**FY 1978 and thereafter**

The exact amount of aid to be distributed will be subject to annual legislative appropriation with no suggestions as to the intended size of that appropriation. A new, more equitable system of proration will be applied in case of underfunding.

FY 1978 will be the first year of a single new comprehensive aid formula replacing the four present separate aid formulas, phased-in at 35% "state share" during FY 1978 and increasing to an eventual 50% by FY 1981.

**(2) "Save-Harmless"**

No city, town, or regional school district will ever receive in any subsequent fiscal year less state aid than it received in FY 1977 under the aid distributions to be replaced by this bill (i.e., Chapter 70, special education, bilingual education, and vocational education aid distributions).

**(3) Phase-In Program**

The new aid program will be phased-in gradually over the course of 4 years, with the "state share" of the cost of education in these programs in the local school district of average wealth increasing from 35% to 50% in 5% annual increments.

**Thus:**

| YEAR | STATE SHARE |
|---|---|
| FY 1978 | 35% |
| FY 1979 | 40% |
| FY 1980 | 45% |
| FY 1981 | 50% |

***In FY 1975, the state share of the total cost of public elementary and secondary education in the Commonwealth was only 31.3%.***

## (4) NEW COMPREHENSIVE FORMULA (Effective FY 1978)

$$\text{TOTAL AID ENTITLEMENT} = \left[1.00 - (p)\right] \left[\frac{\text{Equalized Property Wealth per Person (local)}}{\text{Equalized Property Wealth per Person (state)}}\right] \times \left[\text{Total need in Weighted FTEs}\right] \times \left[\text{Statewide Average Expenditure per Weighted Full Time Equivalent Pupil}\right]$$

(p = local support %)

where:

(1.00 - p) = state share:
FY 1978 = 35%
FY 1979 = 40%
FY 1980 = 45%
FY 1981 = 50%

Fiscal Ability Index measuring each community's relative ability to pay for school costs

Total "pupil need" measured by the sum of full time equivalent pupils, weighted by program, enrolled in a community's public schools

"X" dollars adjusted annually.

### (5 ) Pupil Weights (i.e., weightings assigned to full time equivalent pupils according to the programs in which they are enrolled):

Some kids cost more to educate than others. "Pupil weights" are measures of the costs of educating different types of students.

a) Regular day program ..... 1.0
b) Bilingual transitional education ..... 1.4
c) Special education ..... 2.5
   - regular day programs with modifications
   - regular day program with up to 25% time out
   - regular day program with up to 60% time out
d) Special education ..... 3.5
   - substantially separate special needs program
e) Special education ..... 5.0
   - special needs day program
f) Special education ..... 6.0
   - special needs residential program
g) Specific vocational education program ..... 2.0
h) Career development program ..... 1.4
i) Career awareness program ..... 1.1
j) Low income pupils (as defined in Title I of the federal Elementary and Secondary Education Act) are assigned another additional weight aside from that they receive based on the programs in which they are enrolled. .2

## (6) New Proration Mechanism

Under the present structure of state aid, a single appropriation contains the total amount of revenues available for distribution as aid to special education, bilingual education, and regular education (i.e., Chapter 70). The first two aid programs have "first call" on the total amount of revenues available each year in the total appropriation. The amounts remaining after these two programs are funded have in all but two years since 1966 been insuf-insufficient to fully fund state aid entitlements under Chapter 70.

At present, Section 18A of Chapter 58 requires a "flat" proration of Chapter 70 state aid entitlements in the event of underfunding. In other words, if total funds available for distribution come out to only 80% of the total Chapter 70 aid entitlements computed according to the formula, each city or town receives 80% of its computed aid entitlement. In the case of an aid formula like Chapter 70 that attempts to equalize aid by recognizing differences in local fiscal ability to pay for school costs (i.e., local property wealth), aid entitlements for poorer communities ar generally greater than those for richer cities and towns. It is for this reason that across-the-board proration of aid entitlements causes poorer communities to lose larger amounts of dollars in state aid entitlements than wealthier ones, as shown in the example on the following page.

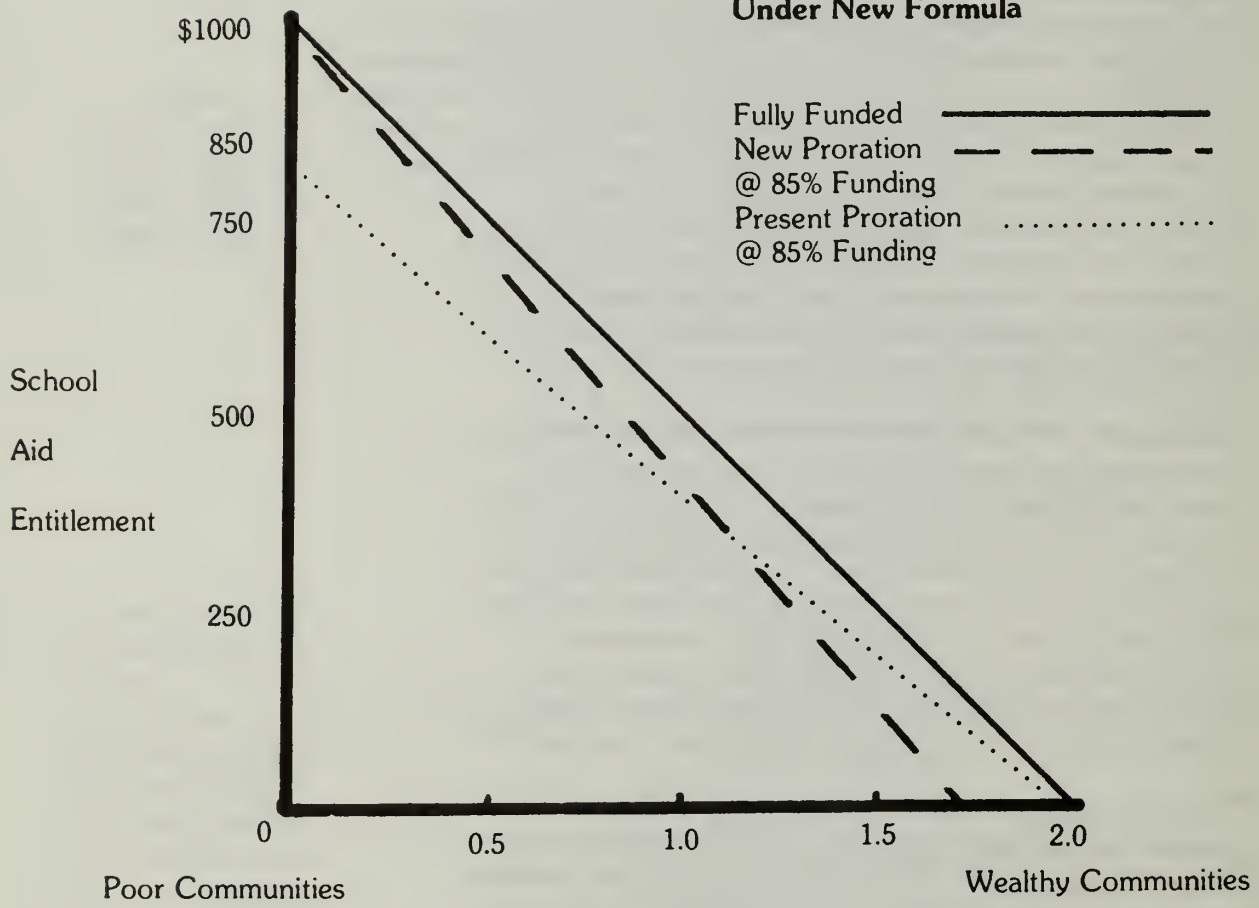
The impact of the resulant underfunding of Chapter 70 has therefore fallen inequitably, with the greatest aid dollar losses being experienced by poorer communities. Should the state share of the cost of education increase during the course of a phase-in of any new aid equalization formula, underfunding of the larger aid entitlements that would be computed for poorer communities would mean even greater aid dollar losses for those same communities, thereby contradicting the presumed goal of any reform - greater equity in the distribution of state aid to education.

The most equitable way to distribute the burden of possible underfunding would be to adjust the local support percentage (i.e, "p" in the formula outlined on the previous page) and thereby the state share of the cost of education as well. If underfunding occurs, the current bill proposes the mathematical computation of a new higher local support percentage and thus a new state share somewhat lower than would be called for under a fully-funded formula which, after the application of the "save-harmless" provision, would produce a total of aid entitlements for all districts exactly equal to the total funds appropriated for distribution as aid. That percentage would be mathema-

## *(6) New Proration Mechanism (con't)*

tically determined, and there would be one and only one such percentage for each given level of funding. The result would be that the burden of such underfunding would be distributed in a more equitable way, with those wealthier communities better able to support schools from local property tax dollars losing more aid dollars than would poorer communities - the exact reverse of the present system.

**EXAMPLE: Proration at 85% Underfunding of Aid Entitlements Under New Formula**



**EXAMPLE: 3 towns all having spent $1000 per pupil might have the following aid entitlements under an equalizing state aid formula:**

| | FULLY FUNDED ENTITLEMENTS | 85% FUNDING: PRESENT PRORATION | 85% FUNDING: NEW PRORATION |
|---|---|---|---|
| 1. poor town with a fiscal ability = 0.4 | $800/pupil | $680/pupil ($120 loss) | $770/pupil ($30 loss) |
| 2. average town with a fiscal ability = 1.0 | $500/pupil | $425/pupil ($75 loss) | $425/pupil ($75 loss) |
| 3. wealthy town with a fiscal ability = 1.6 | $200/pupil | $170/pupil ($30 loss) | $80/pupil ($120 loss) |

Under the present proration system, the burden of underfunding of educational aid falls most heavily on the poorer cities and towns. The new proration system suggested in this bill would eliminate that inequity.

*(7)* All aid will go directly to cities, towns, and regional school districts to offset local school appropriations.

*(8)* School aid will be on a "current-funding" basis instead of the present reimbursement system, thus eliminating what is now up to a two year lag between local expenditures and eventual state reimbursement.

*(9)* Cities, towns, and regional school districts choosing to receive their full state aid entitlements will have to raise from local taxation an amount equal to the state average expenditure per pupil minus their state aid entitlement. If a city, town, or regional school district does not choose to raise sufficient revenue from local taxation to meet their share as called for, their state aid will be reduced by multiplying their state aid entitlement by the following fraction: the total amount of local revenues actually raised divided by the total amount of local revenues required as the minimum tax effort under this bill. This provision would not take effect until FY 1981 when the state will finally have assumed 50% of the cost of these programs in the community of average wealth

*(10)* A 70% "earmarking provision" for state aid will ensure that no less than 70% of the aid received for each type of educational program will be expended for instructional services, attendance services, and health services in each program. Thus, at least 70¢ of every $1.00 in state aid will have to be spent on those services most directly benefiting pupils in each program.

*(11)* The bill's enactment will eliminate the "expenditure-driven" nature of the four current aid programs and as a consequence should slow down the present high rate of growth in educational expenditures. The indirect long-term result should be a lower total cost to the state and local communities than would otherwise occur if the present "expenditure-driven" aid programs, which promise more aid to those who spend more, were to remain unchanged.

*(12)* The reform will change the measure of local wealth - that is of a community's ability to pay for its schools - utilized in the aid formula from equalized property wealth per pupil, as in Chapter 70, to equalized property wealth per person. This will provide a fairer recognition of the total burden placed upon local tax revenues by both educational and non-educational municipal services, particularly in older urban areas.

# The Commonwealth of Massachusetts

IN THE YEAR ONE THOUSAND NINE HUNDRED SEVENTY SEVEN

# AN ACT

## Revising the formula for state aid to the public schools in the Commonwealth.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

**SECTION 1.** Chapter fifty-eight of the General Laws is hereby amended by striking out section 18A and inserting in place thereof the following:

**Section 18A.** (a) The state treasurer shall, subject to appropriation and upon certification of the commission, annually distribute from the General Fund to the several cities, towns, and regional school districts for the fiscal year ending June thirtieth, nineteen hundred and seventy-seven, not less than the amount of four hundred and fifty-two million dollars increased by a percentage equal to the percentage, as determined by the commission, by which the net sums received under chapters sixty-four H and sixty-four I for the last completed fiscal year, if the rate of tax is said last completed fiscal year had been three percent for the entire year and the applicability of the tax had been the same as that of January first, nineteen hundred and seventy-five, exceeded such net sums for the fiscal year ending June thirtieth, nineteen hundred and seventy-four. "Net sums", as used in this subsection, shall mean the total sums received under or by reason of such chapters as excises, interest thereon, fees, penalties, forfeitures, costs of suits or fines, less all amounts refunded under said chapters, together with any interest or costs paid on account of such refunds.

In the fiscal year ending June thirtieth,

nineteen hundred and seventy-eight and thereafter, the amounts distributed annually shall be subject to appropriation.

(b) The amount determined under subsection (a) shall be distributed on the following basis and in the order named on or before the dates specified, to the extent that sufficient funds are available on such dates, during the fiscal year ending June thirtieth, nineteen hundred and seventy-seven:

(1) On or before November twentieth, reimbursement for the special education programs required to be paid by the commonwealth under chapters seventy-one A and seventy-one B; (2) From time to time as determined by the commission, the school aid required to be distributed under chapter seventy upon certification of the comptroller and the commission, but not less than approximately twenty-five percent thereof on or before the last day of each calendar quarter; and (3) From time to time as determined by the commission, the balance, if any, after providing for the payments required by paragraphs (1) and (2) of this subsection, shall be distributed to the cities and towns in the proportion which the amount distributed to the cities and towns under paragraph (2) bears to the total amount distributed under said paragraph; but not less than approximately fifty percent thereof on or before June thirtieth.

If upon any date of distribution, in the fiscal year ending June thirtieth, nineteen hundred and seventy-seven, the amounts designated in this subsection are insufficient to make the full distributions required by any paragraph of this subsection, the distributions thereunder shall be the amount otherwise due to each city or town under said paragraph multiplied by a fraction, the numerator of which shall be the amount remaining of the revenues designated under this subsection and the denominator of which shall be the total amount otherwise due to the several cities and towns under said paragraph.

(c) Commencing with the fiscal year ending June thirtieth, nineteen hundred and seventy-eight, and continuing in every fiscal year thereafter, the state treasurer, upon certification of the commission, shall, subject to appropriation, annually distribute to the several cities, towns, and regional school districts the full amount required to be distributed under chapter seventy, provided that not less than one quarter thereof shall be paid on or before August fifteenth, and not less than one quarter thereof shall be paid on or before December fifteenth. A third payment shall be made on or before April fifteenth and such payment, together with the payments previously made, shall equal seventy-five percent of the amount required to be distributed. The balance thereof shall be paid on or before June fifteenth.

If upon any date of distribution in said fiscal years the amount appropriated for distribution is insufficient to make the full distributions as required under the provisions of chapter seventy which become effective on July first, nineteen hundred and seventy-seven, the provisions of section eleven of said chapter seventy shall be applied in determining actual distributions to the several cities, towns, and regional school districts.

(d) The amounts distributable or distributed to the cities, towns, and regional school districts under this section shall be subject to verification, correction, and adjustment by the commission in the event of any error or ommission in their determination. Any adjustment which reduces or increases the amount to which a city, town, or regional school district is entitled shall be taken into account in the distribution to be paid to such city, town, or regional school district as soon as may be after June thirtieth of the fiscal year succeeding the one to which it relates. Amounts distributed or changed on account of such adjustments in any succeeding fiscal year shall have priority over all other amounts distributable in such year.

**SECTION 2.** The General Laws are hereby amended by striking out chapter seventy and inserting in place thereof the following chapter:

Chapter 70
SCHOOL FUNDS AND STATE AID FOR PUBLIC SCHOOLS

**Section 1.** The purpose of the financial assistance provided by this chapter shall be to promote the equalization of educational opportunity in the public schools of the commonwealth, to provide relief for local property taxes, and to promote the equali-

zation of the burden of the cost of school support to the respective cities, towns, and regional school districts. Assistance provided under this chapter shall be designated as school aid.

**Section 2.** When used in this chapter the following words shall have the following meanings:

"Commissioner", the commissioner of education.

"Equalized valuation per person in a city or town",

the equalized valuation of all property in a city or town subject to local taxation, as most recently reported by the state tax commission to the General Court under section ten C of chapter fifty-eight, divided by the number of persons who reside in such city or town. In the case of a regional school district, the equalized valuation per person shall be determined in the following manner: first, the equalized valuation per person of each member municipality in the regional school district shall be multiplied by the percentage of all pupils enrolled in the regional school district who are residents of that municipality; and second, the equalized valuations per person in all the member municipalities as so modified shall be summed. For the purposes of this chapter, the schools maintained by the counties of Bristol, Essex, and Norfolk shall be deemed to be regional school districts; in addition, independent vocational schools under the jurisdiction of a board of local trustees for vocational education shall be assigned the equalized valuation per person of the city or town in which they are located.

"Equalized valuation per person in the commonwealth", the equalized valuation of all property in the commonwealth subject to local taxation, as most recently reported by the state tax commission to the General Court under the provisions of section ten C of chapter fifty-eight, divided by the number of persons who reside in the commonwealth.

"Full-time equivalent pupil", the computational unit used for the purpose of determining the number of pupils enrolled in a city, town, regional school district, or independent vocational school in each of the programs hereinafter described in the definition of "weighted full-time equivalent pupil." Such unit shall be computed as follows:

(1) a pupil enrolled full-time in only one such program shall be counted as one full-time equivalent pupil in that program; provided that a pupil enrolled at the kindergarten level shall be counted as one-half of a full-time equivalent pupil in the program in which such pupil is enrolled; (2) a pupil enrolled separately in two or more said programs shall be counted as a fraction of a full-time equivalent pupil in each program with each such fraction equal to the number of hours the pupil spends in each program divided by the total number of hours the pupil spends in all programs; (3) a pupil enrolled in two or more said programs which are carried on simultaneously and are therefore consolidated into one program shall be counted as one full-time equivalent pupil in that one of the programs in which the pupil is enrolled which has the highest pupil weight, as hereinafter provided in the definition of weighted full-time equivalent pupil; and (4) a pupil enrolled in a program of more than one hundred and eighty-five days duration shall be counted as one full-time equivalent pupil plus a fraction of one full-time equivalent pupil in that program, with such fraction equal to the number of days in excess of one hundred and eighty divided by one hundred and eighty. The commissioner may, by regulation, further define the computation of "full-time equivalent pupil" as he deems advisable.

"Weighted full-time equivalent pupil", a full-time equivalent pupil enrolled in any regular day, special education, vocational education, or bilingual education program, or in a program of auxiliary services for the disadvantaged, multiplied by the pupil weight cost factor for the program or programs in which the pupil is enrolled, as set forth below: (1) "Regular day programs" are all public school day programs not defined as special, vocational, or bilingual. Full-time equivalent pupils in regular day programs shall be assigned a pupil weight of 1.0; (2) A full-time equivalent pupil enrolled in a bilingual program in accordance with the provisions of chapter seventy-one A and the regulations promulgated thereunder shall be assigned a pupil weight of 1.4; (3) A full-time equivalent pupil enrolled in a "regular education program with modifications", a "regular education program with no more than 25% time out", or a "regular education program with no more than 60% time out" as defined in the regulations

for children with special needs promulgated under chapter seventy-one B shall be assigned a pupil weight of 2.5; (4) A full-time equivalent pupil enrolled in a "substantially separate program" as defined in the regulations for children with special needs promulgated under chapter seventy-one B shall be assigned a pupil weight of 3.5; (5) A full-time equivalent pupil enrolled in a "day program" as defined in the regulations for children with special needs promulgated under chapter seventy-one B shall be assigned a pupil weight of 5.0; (6) A full time equivalent pupil enrolled in a "residential program" as defined in the regulations for children with special needs promulgated under chapter seventy-one B shall be assigned a pupil weight of 6.0; (7) A full-time equivalent pupil enrolled in a "vocational education program" as defined in chapter seventy-four and the regulations promulgated thereunder shall be assigned a pupil weight of 2.0; (8) A full-time equivalent pupil enrolled in a "career development program" to be defined by the board of education shall be assigned a pupil weight of 1.4; (9) A full-time equivalent pupil enrolled in a "career awareness program" to be defined by the board of education shall be assigned a pupil weight of 1.1; (10) A pupil whose family income is below the poverty level as defined in Title I of the federal Elementary and Secondary Education Act of 1965, as amended, shall be assigned an additional .2 full-time equivalent pupil weight for auxiliary services for educationally disadvantaged pupils in addition to being counted in the regular day, special, vocational, or bilingual program in which the pupil may be served. Such auxiliary services shall seek to enable educationally disadvantaged pupils to fully benefit from regular day, special, vocational, and bilingual programs. Approval criteria for auxiliary services for such educationally disadvantaged pupils shall be established by the board of education. The board of education shall also biennially recommend to the General Court appropriate revisions and adjustments to said pupil weights.

"Sum of weighted full-time equivalent pupils" in a city, town, regional school district, or independent vocational school shall be the total number of weighted full-time equivalent pupils in each program defined in section two in schools under the jurisdiction of a regional school district committee, the school committee of a city or town, or a board of local trustees for vocational education, as the case may be,and the totals so derived for each program then added together to produce a single sum for all said programs in each city, town, regional school district, or independent vocational school; provided, however, that any full-time equivalent pupils residing in a city or town who are receiving education in the schools of another city, town, regional school district, or independent vocational school on a tuition basis shall be deemed to be full-time equivalent pupils of their city or town of residence.

"Persons who reside in a city or town", the population of the city or town as enumerated in the most recent official state census conducted by the state secretary.

"Pupil", a person who is educated at the expense of a city, town, or regional school district.

"School aid percentage" for each city, town, regional school district, and independent vocational school, the amount by which one hundred percent exceeds the product, to the nearest tenth of one percent, of the local support percentage, as hereinafter defined, times the valuation percentage.

"Local support percentage" shall, except as provided in section eleven, be sixty-five percent for the entitlements to be distributed in the fiscal year nineteen hundred and seventy-eight, sixty percent for the entitlements to be distributed in the fiscal year nineteen hundred and seventy nine, fifty-five percent for the entitlements to be distibuted in the fiscal year nineteen hundred and eighty, and fifty percent for the entitlements to be distributed in the fiscal year nineteen hundred and eighty-one and in every fiscal year thereafter.

"Total expenditures for all pupils in a city, town, regional school district, or independent vocational school", the total amount expended by such city, town, regional school district, or independent vocational school during the previous fiscal year for the support of public schools exclusive of expenditures for transportation, for food for school food services programs, and for capital outlays, after deducting therefrom any receipts for tuition, reciepts from the federal government, the proceeds of any invested funds, and grants, gifts, and receipts from any other sources, to the extent that such receipts are applicable to

**Section 9.** The present school fund of the commonwealth, known as the Massachusetts School Fund, with future additions shall continue to constitute a permanent fund. The commissioner of education and the state treasurer shall continue to be commissioners to invest and manage said fund, and they shall report annually the condition and income thereof. All investments shall be made with the approval of the governor and council. The annual income thereof shall be paid to the several cities, towns, and regional school districts under the provisions of section eighteen A of chapter fifty-eight, as part of the school aid required under this chapter.

**Section 10.** The income of the Todd Fund shall be paid to the board of trustees of state colleges, and applied by it to specific objects, in connection with the state colleges, not provided by appropriation.

**Section 11.** If in any fiscal year, commencing with the fiscal year nineteen hundred and seventy-eight, there are insufficient funds available for distribution under section eighteen A of chapter fifty-eight to pay the entitlements as computed under this chapter, the entitlements for every city, town, regional school district, and independent vocational school shall be recomputed by modifying the local support percentage, to the nearest tenth of one percent, which percentage shall be the same for every city, town, regional school district, and independent vocational school, so that the total entitlements as so recomputed shall be equal, so far as practical, to the amounts actually available for distribution under said section eighteen A after deducting the amounts to be paid under the provisions of section six.

**SECTION 3.** Reimbursements as provided for in chapter seventy-one A of the General Laws are hereby terminated, except reimbursements for expenditures incurred for the transportation of pupils enrolled in any programs provided for in said chapter; provided, however, that the reimbursements which are thereby terminated shall hereafter be made in accordance with the provisions of chapter seventy of the General Laws as appearing in section two of this act.

**SECTION 4.** Reimbursements as provided for in section thirteen of chapter seventy-one B of the General Laws and payments provided therefor under section fourteen of said chapter, except reimbursements for expenditures incurred for the transportation of pupils enrolled in any programs provided for in said chapter, are hereby terminated; provided, however, that the reimbursements which are thereby terminated shall hereafter be made in accordance with the provisions of chapter seventy of the General Laws as appearing in section two of this act.

**SECTION 5.** Reimbursements as provided for in sections nine, ten, eleven, and twelve of chapter seventy-four of the General Laws are hereby terminated; provided, however, that the reimbursements which are thereby terminated shall hereafter be made in accordance with the provisions of chapter seventy of the General Laws as appearing in section two of this act.

**SECTION 6.** Section one shall take effect upon passage of this act. Sections two to five, inclusive, shall take effect on July first, nineteen hundred and seventy-seven, and shall apply to distributions to be made in the fiscal year ending June thirtieth, nineteen hundred and seventy-eight and in every fiscal year thereafter.

## MASSACHUSETTS DEPARTMENT OF EDUCATION

## LOCAL AID PROGRAMS

### Racial Imbalance - Chapter 76, Section 12A

Funding of current year's local expenses for projects approved by the Board of Education for voluntary programs to reduce racial imbalance. Pupils attending imbalanced schools in one community are transported to schools in other communities (at present the Boston and Springfield areas only).

Contact: Karl Fuller
Department of Education
Bureau of Equal Education Opportunity
727-5880

### Magnet Education - Chapter 71, Sections 37I and 37J

Funding of current year's local expenses for projects approved by the Board of Education for voluntary programs to reduce racial imbalance. Magnet School projects are designed to draw pupils from racially isolated or imbalanced schools within a community or across school district boundaries.

Contact: Charles MacMillan
Department of Education
Bureau of Equal Education Opportunity
727-5880

### Equal Education Improvement - Chapter 15, Section 1I

Funding of certain current year expenses for projects approved by the Board of Education for programs to improve the quality of instruction in communities transporting pupils to eliminate racial imbalance (Boston, New Bedford and Springfield are currently eligible).

Contact: Charles MacMillan
Department of Education
Bureau of Equal Education Opportunity
727-5880

### Vocational School Reimbursement - Chapter 74, Section 9

Reimbursement of prior year's expenses for occupational programs approved by the Department of Education. Reimbursement is limited to 50% of the net cost of secondary programs and 65% of the cost of post-secondary programs.

Contact: Thomas Collins
Department of Education
Office of Local Aid
727-8477

*Massachusetts Department of Education - Local Aid Programs*

*Tuition Reimbursement - Chapter 74, Section 10*

*Reimbursement of 50% of prior year's expenses for pupils attending occupational programs outside their school districts. In addition, reimbursement will be made for the full cost of tuition and transportation of State wards enrolled in local occupational programs.*

*Contact: Thomas Collins*
*Department of Education*
*Office of Local Aid*
*727-8477*

*Instructors' Salary Reimbursement - Chapter 74, Section 11*

*Reimbursement of two-thirds of the prior year's salaries paid to teachers in approved agricultural schools which consist only of departments in high schools.*

*Contact: Thomas Collins*
*Department of Education*
*Office of Local Aid*
*727-8477*

*County Vocational Schools Reimbursement - Chapter 74, Section 11*

*Reimbursement of 50% of the prior year's operating costs for schools of Bristol, Essex, and Norfolk counties.*

*Contact: Thomas Collins*
*Department of Education*
*Office of Local Aid*
*727-8 77*

*Outside Vocational School Transportation - Chapter 74, Section 8A*

*Reimbursement of 50% of the prior year's cost of transporting pupils to occupational programs outside their school districts.*

*Contact: Thomas Collins*
*Department of Education*
*Office of Local Aid*
*727-8477*

## Massachusetts Department of Education - Local Aid Programs

### Transportation of Pupils - Chapter 71, Sections 7A, 16C, 37D

Reimbursement of prior year's expenses for pupil transportation.

Section 7A reimburses previous year costs incurred by cities and towns for the transportation of pupils living at least 1 1/2 miles from the schools to which they are transported. Reimbursement is limited to the difference between the total cost and a local share of five dollars per public and private pupil in the town. Generally applies only to services provided through municipally-owned vehicles or private contractors.

Section 16C reimburses 100% of previous year cost of Regional School transportation. Section 7A costs eligible for reimbursement are limited to those incurred in transporting pupils living at least one and one-half miles from school.

Section 37D (and Chapter 15, Section 1I) reimburses 100% of previous year cost of transporting pupils for the purpose of eliminating racial isolation or racial imbalance. No mileage limitation is imposed.

Contact: Thomas Collins (Sections 7A & 16C)
Department of Education
Office of Local Aid
727-8477

and

Karl Fuller (Section 37D)
Department of Education
Bureau of Equal Education Opportunity
727-5880

### School Transportation - Chapter 71, Section 7B

Reimbursement of part of previous year costs incurred for the transportation of pupils to and from school on public transportation. Aid is limited to the direct cost of transportation, the indirect cost of maintaining a public transportation service, or 20¢ a day per rider, whichever is less. Riders must live at least one and one-half miles from school for their transportation costs to be eligible for reimbursement. Payment is made in the year following local expenditure.

Contact: Thomas Collins
Department of Education
Office of Local Aid
727-8477

Massachusetts Department of Education - Local Aid Programs

Regional Public Libraries - Chapter 78, Section 19C

Grants to cities, towns and independent public libraries which provide regional library services. The grants vary from 40¢ to 50¢ per capita, depending on the population density of the region served. In addition, the City of Boston receives 2 1/2¢ per resident of the Commonwealth for services provided by the Boston Public Library.

Contact: David Russell
Department of Education
Bureau of Library Extension
267-9400

Free Public Libraries - Chapter 78, Section 19A

Grants to cities and towns for public library services. Grants are limited to 37 1/2¢ per resident. For towns with population less than 2,000, the grant will be the prior year's library expenditures or $1,000, whichever is less.

Contact: Janet Price
Department of Education
Bureau of Library Extension
267-9400

School Building Assistance - Chapter 645 of the Acts of 1948 as amended

Reimbursement to cities, towns, and regional school districts for part of the cost of building construction and rehabilitation. For cities, towns, and partial regions, the grant will range from 50% to 65% of the total cost, depending on local property wealth per pupil. For fully regionalized school districts, the grant will range from 60% to 75%, again depending on local property wealth per pupil.

The total reimbursement will be paid in annual installments over the life of the construction bond, usually 20 years. When determining final approved construction cost, 75% of any interest earned on the temporary investment of the principal will be deducted. When determining interest costs, the amount used in the formula is 100% of such costs for regional school districts, 75% for racial imbalance construction projects, and 50% for cities and towns.

The formula used to determine the rate of reimbursement is:

$$\left[\text{Final Approved Construction Cost plus Interest Payments}\right] \times \left[\frac{\text{Equalized Valuation Per SAC - State}}{\text{Equalized Valuation Per SAC - Local}}\right]$$

$$\times \left[\text{.50 for cities, towns, \& partial regions}\right]$$

$$\text{OR}$$

$$\times \left[\text{.60 for full regions}\right]$$

Massachusetts Department of Education-Local Aid Programs

School Building Assistance (Continued)

The formula for racial imbalance projects is 75% of final approved construction cost plus interest payments. As noted above, the resulting product is subject to upper and lower limits. In addition, each project must be approved by the Board of Education to be eligible for aid. Total funding for all projects is limited and cost and priority standards will be imposed. Payment of such reimbursement begins during the fiscal year immediately following the fiscal year in which construction begins.

Contact: John Calabro
Department of Education
Bureau of School Building Assistance
727-5780

Partial Assistance - School Lunch - Chapter 548 of the Acts of 1948

Reimbursement of part of the cost incurred in serving lunches to schoolchildren. Aid is limited to 50% of the federal share of the cost of each lunch under the terms of the National School Lunch Act. Currently, actual reimbursement covers the first six cents of the cost of each lunch. Reimbursement is paid monthly following the submission of claims.

Contact: John Stalker
Department of Education
Bureau of Nutrition Education and
School Food Services
727-5764

Elderly Lunch - Chapter 1168 of the Acts of 1973

Reimbursement of part of the cost of elderly lunch programs. Aid is limited to the difference between the cost of each meal and the fee paid by the diners. Aid is paid monthly following the submission of claims.

Contact: John Stalker
Department of Education
Bureau of Nutrition Education and
School Food Services
727-5764

Regional School Aid - Chapter 71, Section 16D

Reimbursement of regional school district expenditures for instruction, tuition, and administration costs. Expenditures for transportation, community services, fixed assets, capital outlay, and food for School Lunch programs are excluded. This program is a bonus and covers costs already aided by other programs.

Massachusetts Department of Education - Local Aid Programs

Regional School Aid(Continued)

The rate of reimbursement is determined by the following formula:

$$\left[1.00 - .65 \left(\frac{\text{Equalized Valuation per SAC - Local}}{\text{Equalized Valuation per SAC - State}}\right)\right] \times \left[\text{Reimbursable Expenditures}\right] \times \left[\begin{array}{c}.50 \text{ for partial regions} \\ \text{OR} \\ .70 \text{ for full regions}\end{array}\right]$$

The product must be at least 7.5% of such reimbursable expenditures.

Payment of entitlement is made in the second year following the year in which the expenditures occurred. If a region expands from partial to full status, the aid entitlement based on that year's expenditures will be paid in the following fiscal year.

Contact: Thomas Collins
Department of Education
Office of Local Aid
727-8477

Bilingual Education - Chapter 71A

Reimbursement of part of previous year costs of transitional bilingual education. Reimbursement is limited to the difference between the average costs of a regular day pupil and of a bilingual pupil. The portion of the per pupil cost equal to the local average cost per pupil in regular day program and not reimbursed under this program is eligible for reimbursement under Chapter 70. Upper limits on the differential costs reimbursed may be imposed and total state reimbursement is limited to $4 million.

Contact: Thomas Collins
Department of Education
Office of Local Aid
727-8477

Special Needs - Chapter 71B

Reimbursement of part of the costs of special needs programs in cities, towns, and regional school districts. Aid is limited to the difference between the average cost of a regular day and of a special needs pupil within each program prototype. This differential reimbursement is subject to an upper limit of 110% of the statewide average differential cost per pupil in each prototype. The expenditure equivalent to the local average cost per pupil in regular day program is eligible for reimbursement under Chapter 70.

In calculating reimbursement, special needs costs will be disaggregated both by program prototype and by expenditure function. Payment is made in the year following the year of local expenditure.

Contact: Thomas Collins
Department of Education
Office of Local Aid
727-8477

## Massachusetts Department of Education-Local Aid Programs

### School Aid - Chapter 70

General aid to cities and towns only for the costs of public instruction. Transportation, community services, fixed assets, capital outlay, food, and occupational program costs are excluded. In addition, only part of a community's special needs and bilingual expenditures will be aided under this chapter. Both school committee and municipal expenditures are eligible for reimbursement.

Payment is made in the second fiscal year following that in which the expenditures occurred. Entitlement is determined by the following formula:

$$\left[1.00 - .65 \left(\frac{\text{Equalized Valuation Per SAC - Local}}{\text{Equalized Valuation Per SAC - State}}\right)\right] \times \left[\begin{array}{c}\text{Reimbursable} \\ \text{Expenditures}\end{array}\right]$$

The school aid percentage to be multiplied by the reimbursable expenditure must be at least 15% and no more than 75%.

The amount of reimbursable expenditures reported will be divided by the community's net average membership (NAM) and compared with the statewide average cost per pupil in NAM. If the local average cost is within 80% to 110% of the statewide average, the aid percentage is applied to the acutal amount of expenditures to compute the aid entitlement. If a local average cost per pupil falls outside those boundaries, the community's NAM is multiplied by the nearest limit to produce an adjusted reimbursable expenditure. This adjusted figure is then multiplied by the aid percentage to compute the aid entitlement.

Contact: Thomas Collins
Department of Education
Office of Local Aid
727-8477

### General Local Aid Policy Planning and School Finance Reform

Contact: Bruce Perlstein
Department of Education
Office of Executive Planning
727-5700

# MODEL DISCLOSURE STATEMENT

PALMER & DODGE
ONE BEACON STREET
BOSTON, MASSACHUSETTS 02100
AREA 617 227-4400

April 13, 1976

You will find attached a draft of a sample notice of sale and official statement for Massachusetts city and town general obligation bonds. This draft represents a revision and compilation of materials previously circulated for comments on a piecemeal basis. This compilation is still only a draft and your further comments are solicited.

This draft contemplates two separate documents: (1) a notice of sale and (2) an Official Statement in final form when bids are solicited. The Official Statement could be used by the underwriters in reselling the Bonds to the public. Among the alternatives to this procedure is a notice of sale and an Official Statement in preliminary "red herring" form at the time bids are solicited, to be followed after the public sale by a final Official Statement with actual interest rates and reoffering prices or yields.

The draft Official Statement is based on the draft disclosure guidelines published by the Municipal Finance Officers Association But practical compromises have had to be made with the expected difficulty of obtaining or presenting information. Moreover, in the preparation of an official statement for a particular issue, the issuer or certifying bank must consider the requirements of the market as well as the suggestions made by the MFOA guidelines.

The guidelines state that they "are not intended to create disclosure requirements or a legal obligation". No law has been enacted prescribing any particular form of disclosure in the offering of municipal bonds. By attempting to assist in meeting the suggestions made by the guidelines we do not imply to the municipalities we represent that compliance with the guidelines is mandatory. It should be emphasized, however, that material facts particularly material adverse facts, should be disclosed whether or not called for by the guidelines. Although the guidelines are neither a minimum requirement nor a maximum "safe harbor" for disclosure, they have been

prepared by knowledgeable people and do offer an outline of some of the factual areas in which materiality is apt to be found. When the present draft guidelines have been further distilled and put into final form, they should be even more useful in this respect.

When an official statement is in preparation for an issue on which we are bond counsel, we would be glad to advise further as to the need for disclosure of any facts brought to our attention by the municipality or the certifying bank. Although we do not ordinarily prepare the official statement, or pass upon it unless arrangements are made for us to render an opinion with regard to it in addition to our opinion as to the validity of the bonds, we believe that we can be helpful where we are bond counsel in advising on particular disclosure questions. To this end we have suggested in the enclosed draft that copies of some of the documents referred to therein be furnished to bond counsel.

There is no special importance to the order in which matters are presented in the enclosed draft. Unless an erroneous impression would be created by doing so in a particular case, those who prepare official statements for particular issues should feel free to adopt whatever order of presentation seems clearest and most informative.

It should also be understood that the enclosed is only a sample which needs substantial adaptation for any particular city or town. In addition to the normal variations from issuer to issuer, it is important to remember that the form should be sufficiently modified to disclose the material facts relating to the particular municipality, whether or not those facts relate in any way to the contents of the form. Among other material facts, any important recent developments, such as significant reductions in non-tax revenues, new difficulties in tax collections, threatened overspending of appropriations, substantial labor problems, or litigation or contingent liabilities which may materially affect the financial well-being of the municipality, should be disclosed. This is by no means a complete list of potentially material facts.

At a later date, with the help of your comments, we hope to circulate a revision of the enclosed, although we recognize, in view of the present extraordinary rate of change in the law and practice of municipal finance, that no disclosure form can be regarded as anything more than an interim working tool of limited applicability.

Yours faithfully,

Palmer + Dodge

Palmer & Dodge

JWP/pgk/gmf

Note: This form is intended for use in conjunction with a separate Official Statement relating to the issue and the issuer. It is for general guidance only. Charter, by-law, ordinance and special law provisions may necessitate modifications of the form and should be consulted prior to preparation of the notice of sale.

NOTICE OF SALE

$

(CITY) (TOWN) OF _____, MASSACHUSETTS

_____BONDS

SEALED PROPOSALS will be received by the Treasurer of the (City)(Town) of_____, Massachusetts, at (place of bid opening), _____ _____, Massachusetts, until _____ o'clock ___.M. (E.S.T.) [illegible]

_____, 19__

at which time and place all such proposals will be publicly opened and announced, for the purchase of all, but not less than all, of

$_____ _____BONDS payable (month and day) $ in 19 to 19 , $ in 19 to 19 .

The Bonds will be dated _____ 19__ and will bear interest at the rate (or rates) per annum specified by the successful bidder, payable semiannually on _____ and _____ in each year until maturity. They will be issued in bearer form in the denomination of $5,000 each with a single coupon attached for each installment of interest thereon.

(The Bonds will be registrable as to principal only, or as to both principal and interest, on the books of the (city)(town) kept for that purpose by _____, as registrar. Registration and transfer will be without charge except applicable taxes (if any) but delivery will be responsibili

of holder. Bonds registered as to both principal and interest may not be reconverted into coupon Bonds.)

(The Bonds will be payable as to both principal and interest at the principal office of (certifying bank) in _____, Massachusetts, or, at the option of the holder, at the principal office of _____, in _____, _____, except that the interest on Bonds registered as to both principal and interest will be paid by check or draft mailed to the registered owner thereof by the registrar.)

(The Bonds, with all unmatured coupons attached, will be exchangeable for fully registered Bonds at the expense of the holder at the office of _____ as registrar at any time more than one year prior to their respective maturities. Fully registered Bonds may not be reconverted into coupon Bonds.)

(The Bonds in coupon form will be payable as to both principal and interest at the principal office of (certifying bank) in _____, Massachusetts, or, at the option of the holder, at the principal office of _____, in _____, _____. The principal of fully registered Bonds will be payable at _____ and the interest thereon will be paid by check or draft mailed to the registered owner thereof by the registrar.)

(Each proposal must state the amount bid for the Bonds, not less than their par value, and must state a single rate of interest which all of the Bonds shall bear in a multiple of 1/8 or 1/20 of 1% per annum. In addition to the amount bid for the Bonds, the purchaser must pay an amount equal to the interest on the Bonds accrued to the date of delivery.)

or

(Each proposal must state the amount bid for the Bonds, not less than their par value, and must state in multiples of 1/8 or 1/20 of 1% the rate or rates of interest per annum which the Bonds shall bear but shall not state (a) more than _____ different interest rates for the Bonds, (b) more than one interest rate for any Bonds having like maturity or (c) any interest rate for any Bonds which exceeds the interest rate stated in such proposal for any other Bonds by more than _____ percentage points. In addition to the amount bid for the Bonds, the purchaser must pay an amount equal to the interest on the Bonds accrued to the date of delivery.)

As between proposals which comply with this Notice, the Bonds will be sold to the bidder whose proposal offers to purchase all of the Bonds at the lowest interest cost to the [illegible] bidders offering the same lowest rates, to the bidder offering to pay the highest premium) (cost, such cost under each proposal to be determined by computing the total amount of interest payable on the Bonds, at the rate or rates stated in such proposal, from their date until their respective maturities and deducting therefrom the premium, if any, offered in such proposal, and if there be more than one proposal making said offer at the same lowest interest cost, the Bonds will be sold to the bidder whose proposal is selected by the (city)(town) by lot from among all such proposals). The award of the Bonds is subject to confirmation by the (city council committee on finance)(board of selectmen)(other body), a meeting of which has been scheduled for _____ o'clock __.M. on _____, 19__. (Written notice of such confirmation will be furnished to the successful bidder.)

All proposals must be enclosed in sealed envelopes and addressed to (name and address of officer of issuer) and marked on the outside in substance

"Proposal for Bonds." Proposals by telegram delivered as specified above will be accepted. Telephone proposals will not be accepted.

The right is reserved to reject all proposals and to reject any proposal not complying with this Notice of Sale and, so far as permitted by law, to waive any irregularity or informality with respect to any proposal.

(The (city)(town) has not contracted for the issuance of any policy of municipal bond insurance for the Bonds. If the Bonds qualify for issuance of any such policy or commitment therefor, any purchase of such insurance or commitment shall be at the sole option and expense of the bidder and any increased costs of issuance or delivery of the Bonds resulting by reason of such insurance shall be assumed by such bidder. Proposals shall not be conditioned upon the issuance of any such policy or commitment. Any failure of the Bonds to be so insured or of any such policy or commitment to be issued shall not in any way relieve the purchaser of his contractual obligations arising from the acceptance of his proposal for the purchase of the Bonds.)

The Bonds will be certified as to their genuineness by (name of certifying bank).

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that contemporaneously with or before accepting the Bonds and paying therefor, he shall be furnished, without cost, with (a) the approving opinion of the firm of Palmer & Dodge, Boston, Massachusetts, which opinion (with the exception of its date) will be printed on the Bonds, to the effect that the Bonds are valid general obligations of the (City) (Town) of _____, and that all taxable property in the (city)(town) is subject to the levy of unlimited ad valorem taxes to pay the same and that, under existing statutes, the Bonds are exempt from local property taxes in Massachusetts and the interest thereon is exempt from Massachusetts personal

in me taxes and from federal income taxes (*), (b) a certificate in form satisfactory to said firm dated as of the date of delivery of the Bonds and receipt of payment therefor to the effect that there is no litigation pending or, to the knowledge of the signer or signers thereof, threatened affecting the validity of the Bonds or the power of the (city)(town) to levy and collect taxes to pay them, (c) a certificate of the (City)(Town) Treasurer, (and _____) to the effect that, to the best of (his)(their) knowledge and belief, both as of the date of sale and as of the date of the delivery of the Bonds, the Official Statement referred to below does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, (and (d) the opinion of the firm of Palmer & Dodge, addressed to the successful bidder or bidders for the Bonds, to the effect that, although they are not passing upon and do not assume any responsibility for the accuracy or adequacy of the statements contained in the Official Statement referred to below and make no representation that they have independently verified the same, on the basis of their assistance in the preparation of the Official Statement and in connection with the rendering of their opinion as to the validity of the Bonds, no facts came to their attention which would lead them to believe that the Official Statement (other than the financial statements and other financial and statistical data contained therein, as to which such firm will express no opinion), both as of the date of sale and as of the date of the delivery of the Bonds, contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements

*Consult proposed opinion of Palmer & Dodge for any variation in opinion.

made therein, in the light of the circumstances under which they were made, not misleading.) (Note: The foregoing clause (d) should be included only if arrangements have been made with bond counsel for rendering the opinion called for by that clause.)

Additional information concerning the (City)(Town) of _____ and the Bonds is contained in the Official Statement dated _____, 19__, to which prospective bidders are directed. The Official Statement is provided for informational purposes only and is not a part of this Notice of Sale. Copies of the Official Statement and a suggested form of proposal for the Bonds may be obtained from (name, address and telephone number of issuer) or from (name of appropriate officer, address and telephone number of bank). Following the award of the Bonds in accordance herewith, ( ) copies of the Official Statement (in reasonable quantity) will be available from the (certifying bank) upon request of the successful bidder or bidders for use in reoffering the Bonds.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond, nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid for by the issuer, provided, however, that the issuer assumes no responsibility for any CUSIP Service Bureau or other charge that may be imposed for the assignment of such numbers.

It is expected that the Bonds in definitive form will be ready for delivery at (name and address of place of delivery) on or about _____,

19__ against payment of the purchase price in Boston funds, or at the designated agent of said bank in New York City against payment in New York funds, payable in either case to the order of the "(City)(Town) of _____". The successful bidder will be given at least forty-eight hours notice of the time and place of delivery.

_____, 19

_____
(City)(Town) Treasurer

PROPOSAL FOR BONDS

(Name and address
of officer of issuer
receiving bids)

_____, 19__

Dear Sir:

Subject to the provisions and in accordance with the terms of the Notice of Sale dated _____, 19__, which is hereby made a part of this proposal, we hereby offer to purchase all of the $_____ Bonds of the (City) (Town) of _____, Massachusetts, described in said Notice of Sale, and to pay therefor the price of par plus $_____, plus the interest accrued on said Bonds to the date of their delivery. (The Bonds shall bear interest from their date until maturity at the rate of ___ % per annum.) (The Bonds maturing in the several years set forth below shall bear interest from their date until maturity at the respective rates per annum stated in the following table:

| Year of Maturity | Interest Rate | Year of Maturity | Interest Rate |
|---|---|---|---|
| 19__ | ___% | 19__ | ___% |
| 19__ | ___% | 19__ | ___% |
| 19__ | ___% | 19__ | ___% |
| 19__ | ___% | 19__ | ___%) |

The undersigned hereby acknowledges receipt of the Official Statement referred to in the aforesaid Notice of Sale.

_____

By:

_____

_____

Accepted (subject to confirmation by vote of the ):

_____, 19___

(CITY)(TOWN) OF

By_____
(City)(Town) Treasurer

The following is our computation of the interest cost, made as provided in the above-mentioned Notice of Sale but not constituting any part of the foregoing proposal, under the foregoing proposal:

| | |
|---|---|
| Gross Interest | $_____ |
| Less Premium Bid Over Par | $_____ |
| Interest Cost | $_____ |
| Per Cent Interest Cost | _____% (four decimals) |

(Note: Delete the foregoing paragraph if the Bonds are not to be awarded according to interest cost.)

OFFICIAL STATEMENT

(CITY)(TOWN) OF

MASSACHUSETTS

$ BONDS

This Official Statement is dated 19 .

TABLE OF CONTENTS

| | Page |
|---|---|
| Description of Bonds | I-1 |
| Combined Maturities | I-3 |
| Use of Proceeds | II-1 |
| Security and Remedies | III-1 |
| Municipal Government and Services | IV-1 |
| Principal Executive Officers | IV-3 |
| Principal Department Heads | IV-3 |
| Indebtedness | V-1 |
| Authorized and Outstanding Debt | V-1 |
| Five Years' Outstanding Debt | V-3 |
| Debt vs. Population, Valuation and Income | V-4 |
| Annual Debt Service | V-5 |
| Temporary Loan Maturities | V-5 |
| Overlapping Debt | V-8 |
| Retirement Plan | VI-1 |
| Financial Statements | VII-1 |
| Balance Sheet | VII-3 |
| Receipts and Expenditures | VII-5 |
| Free Cash | VII-7 |
| Water Department | VII-8 |
| Electric and Gas Department | VII-9 |
| Property Taxation | VIII-1 |
| Assessments | VIII-4 |
| Tax Levies and Collections | VIII-5 |
| Taxes Outstanding | VIII-5 |
| Largest Taxpayers | VIII-6 |
| Motor Vehicle Excise | IX-1 |
| Economy and Population | X-1 |
| Principal Industries | X-1 |
| Principal Employers | X-1 |
| Building Permits | X-2 |
| Other Data | X-2 |

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Bonds described herein shall, under any circumstances, create any implication that there has been no change in the affairs of the (City)(Town) since the date hereof.

OFFICIAL STATEMENT

(CITY)(TOWN) OF

MASSACHUSETTS

$

Description of Bonds

This Official Statement is provided for the purpose of presenting certain information relating to the (city)(town) in connection with the sale of the following described bonds of the (city)(town)

(amounts, titles, maturities)

The Bonds are being offered for sale at public bidding on and a notice of sale dated has been furnished to prospective bidders. Reference is hereby made to the notice of sale for the terms and conditions of the bidding.

The Bonds will be dated 19 and will bear interest at the rate (or rates) per annum specified by the successful bidder, payable semi-annually on and in each year until maturity. They will be issued in bearer form in the denomination of $5,000 each with a single coupon attached for each installment of interest thereon.

(The Bonds will be registrable as to principal only, or as to both principal and interest, on the books of the (city)(town) kept for that purpose by , as registrar. Registration and transfer will be without charge except applicable taxes (if any) but delivery will be responsibility of holder. Bonds registered as to both principal and interest

may not be reconverted into coupon Bonds.)

(The Bonds will be payable as to both principal and interest at the principal office of (certifying bank) in , Massachusetts, or, at the option of the holder, at the principal office of , in , , except that the interest on Bonds registered as to both principal and interest will be paid by check or draft mailed to the registered owner thereof by the registrar.)

(The Bonds, with all unmatured coupons attached, will be exchangeable for fully registered Bonds at the expense of the holder at the office of as registrar at any time more than one year prior to their respective maturities. Fully registered Bonds may not be reconverted into coupon Bonds.)

(The Bonds in coupon form will be payable as to both principal and interest at the principal office of (certifying bank) in , Massachusetts, or, at the option of the holder, at the principal office of , in , . The principal of fully registered Bonds will be payable at and the interest thereon will be paid by check or draft mailed to the registered owner thereof by the registrar.)

A copy of the legal opinion of the firm of Palmer & Dodge, of Boston, Massachusetts, will be printed on the Bonds (except that the date of the opinion will be omitted from the printed copy). The opinion will be to the effect that the Bonds are valid general obligations of the (city)(town), that all taxable property in the (city)(town) is subject to the levy of unlimited ad valorem taxes to pay the same and that, under existing statutes, the Bonds are exempt from local property taxes in Massachusetts and the interest thereon is exempt from Massachusetts personal income taxes and from federal income taxes. The

opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the successful bidder. At the time of such original delivery of the Bonds, there will also be furnished to the successful bidder a certificate of certain officers of the (city)(town) stating that there is no litigation then pending or, to their knowledge threatened, affecting the validity of the Bonds or the power of the (city)(town) to levy and collect taxes to pay them.

COMBINED MATURITIES (1)

| Fiscal Year | $ (title) | $ (title) | $ (title) | Total |
|---|---|---|---|---|

(1) Principal of this issue only. For debt service (principal and interest) on this issue and outstanding issues see page below.

## Use of Proceeds

Proceeds from the current offering of $ Bonds will be used for , including the payment of $ bond anticipation notes previously issued for the project. Total project cost is estimated to be $ . To defray the rest of the estimated project cost, the (city)(town) has included $ in the budget, appropriated $ from (surplus revenues)(other source), previously issued $ bonds, expects to issue $ additional bonds in the future (which sum is included in the authorized but unissued debt of the (city)(town) described below), and has entered into a grant agreement with the United States Department of , providing for a grant not exceeding $ .

(Note: The MFOA draft guidelines suggest: "If any material amounts of other funds are to be used in conjunction with the proceeds, state the amounts and source of such other funds.")

## Security and Remedies

The Bonds are general obligations of the (city)(town) and their payment is not limited to a particular fund or revenue source. The Massachusetts statutes direct the municipal assessors to include annually in the tax levy for the next fiscal year "all debt and interest charges matured and maturing during the next fiscal year and not otherwise provided for [and] all amounts necessary to satisfy final judgments". (No provision is made, however, for a lien on any portion of the tax levy to secure bonds or notes, or judgments thereon, in priority to other claims.) In the opinion of bond counsel, the (city)(town) is subject to suit on the Bonds and courts of competent jurisdiction have power in appropriate proceedings to order payment of a judgment on the Bonds from available funds or, in the absence of available funds, to order the inclusion of the required amount in the next annual tax levy. In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors including the current operating needs of the (city)(town) and the availability and adequacy of other remedies. The Massachusetts Supreme Judicial Court has stated in the past that a judgment against a municipality can be enforced by the taking and sale of the property of any inhabitant. However, there has been no judicial determination as to whether this remedy is constitutional under current due process and equal protection standards.

Massachusetts statutes also provide that certain water, (gas and electric) and sewer receipts may be used only for water, (gas and electric) and sewer purposes respectively and, accordingly, moneys derived from these sources may

be unavailable to pay bonds and notes issued for other purposes. (In addition, the annual allowance for depreciation of the gas and electric plant is restricted to use for renewals and improvements although the balance, if any, remaining after such expenditures may be used with the approval of the State Department of Public Utilities to pay debt incurred for plant reconstruction or renewals. Massachusetts law also provides for a prior lien on electric revenues to secure revenue bonds and notes issued to finance certain generating and transmission facilities. The (city)(town) (has accepted)(is authorized to accept) Chapter 164-A of the General Laws under which such revenue obligations may be issued (but the (city)(town) has not authorized or issued any such obligations to date). (See page below as to the amounts of electric revenue bonds and notes authorized and outstanding.) (Note: omit all references to gas and electricity if there is no gas or electric department.)

Water (gas and electric) and sewer bond payments would not be included in the tax levy to the extent expected to be paid from non-tax revenues. Amounts borrowed temporarily in anticipation of bonds, grants or current revenues would be similarly excluded because they would normally be expected to be paid from the anticipated bond proceeds, grants or revenues.

State distributions may in some circumstances be unavailable to pay general obligation bonds or notes of the (city)(town) in that the State Treasurer is empowered to deduct from such distributions any sums due and payable by the (city)(town) to the Commonwealth, (including any unpaid assessments for public transportation or Metropolitan District Commission purposes).

Enforcement of a claim for payment of principal of or interest on bonds or notes would also be subject to the applicable provisions of Federal

bankruptcy laws and to the provisions of statutes, if any, hereafter enacted by the Congress or the State legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied.

## Municipal Government and Services

The municipality was incorporated (as a town in and became a city) in . It is governed by a (mayor and council) (city manager and council) (representative) (town meeting). It is located in County.

The municipality provides general governmental services including police and fire protection, disposal of garbage and rubbish, public education in grades to and certain technical education beyond the high school level, water (except in the Water District mentioned below), sewer services (except in the Sewer District mentioned below), streets, parks and recreation. The principal services provided by the county are courts, a jail and house of correction, a hospital, registries of deeds and probate and, together with the Commonwealth, partial funding for local highways. The (Massachusetts Bay Transportation) ( Regional Transit) Authority provides (rapid transit) (commuter railroad) (certain bus services) within the municipality. The Regional School District provides (public) (vocational-technical) education in grades to . The Water District and Sewer District furnish water and sewer services in portions of the municipality. The Metropolitan District Commission provides a supply of water and certain sewage disposal services to the municipality and also maintains certain parks and highways within the municipality and police services relating thereto. The Housing Authority provides public housing and the Redevelopment Authority is in charge of urban renewal programs in the municipality.

(Note: The foregoing paragraph should be adapted to each issuer. In addition to the services already mentioned, municipal electric, gas or hospital services should be noted. The principal services of any other overlapping entities, such as a regional sewerage district, should be mentioned. Any major change in the services provided by the municipality or by any overlapping entity within the last five years should be disclosed. An example would be the addition of grades to a regional school district.)

(The councillors are elected by the voters biennially, at large and by wards.) (The representative town meeting consists of persons, of whom are elected for staggered year terms and of whom are officers serving ex officio as town meeting members.) Local legislative decisions are made by the (council) (subject to the mayor's veto, which may be overridden by a two-thirds vote) (town meeting). The (mayor) (city manager) is the chief executive officer and department heads are generally under his supervision. Subject to the legislative decisions made by the town meeting, the affairs of the municipality are generally administered by a board of selectmen, who are assisted by an (executive secretary) (town manager).

Local school affairs are administered by a school committee of persons, elected biennially on an at large basis. The school committee is generally empowered to determine the amount to be expended for current school expenses. (The water and electric departments are run by three-person boards elected for the staggered three-year terms.)

Local taxes are assessed by a board of assessors, (elected for staggered three-year terms) appointed by ) (subject to confirmation by the council).

## PRINCIPAL EXECUTIVE OFFICERS

| Office | Name | Term and Manner of Selection |
|---|---|---|
| Mayor | | Elected biennially |
| City manager | | Appointed by council to serve at its pleasure |
| Selectmen | | Elected for staggered 3-year terms |
| Executive Secretary | | Appointed by selectmen for -year term subject to removal at their discretion |
| Town Manager | | |
| Clerk | | |
| Treasurer | | |
| (Auditor) (Accountant) | | |

## PRINCIPAL DEPARTMENT HEADS

| Office | Name | Term and Manner of Selection |
|---|---|---|
| Superintendent of Schools | | Appointed by school committee-tenure after three years |
| etc. | | Appointed by (subject to confirmation by council) (to serve at pleasure) (for -year term) |
| | | Tenure to age |
| | | Civil service |

(Note: All of the foregoing information as to form of government should be adapted to the particular municipality.)

(Note: Here briefly describe the general character of the principal facilities of the municipality. If any such facilities are leased or otherwise not held in fee or are held subject to a major encumbrance, so indicate. Attempt so far as possible to provide information indicating whether the facilities are adequate to meet future needs or whether additional debt beyond the presently authorized debt will be required. In this respect, information taken from capital improvement programs or capital needs surveys would be better than subjective expressions. If there has been a capital improvement program or capital needs survey within the last five years, furnish a copy of the most recent program and/or survey to bond counsel.)

## Indebtedness

### AUTHORIZED AND OUTSTANDING DEBT (1)

| | Outstanding (recent date) | Authorized Unissued (recent date)(2) | Outstanding After This Issue(2) | Authorized Unissued After This Issue(2) |
|---|---|---|---|---|
| GENERAL OBLIGATION BONDS: | | | | |
| General | $ | $ | $ | $ |
| School (3) | | | | |
| Water | | | | |
| Electric (and gas) | | | | |
| GENERAL OBLIGATION NOTES: | | | | |
| Bond anticipation notes | | | | |
| General and school | | NA | | NA |
| Water | | NA | | NA |
| Electric (and gas) | | NA | | NA |
| Revenue anticipation notes | | | | |
| Grant anticipation notes | | | | |
| SUBTOTALS | $ | $ | $ | $ |
| REVENUE BONDS AND NOTES: | | | | |
| Electric Bonds | | | | |
| Electric Bond Anticipation Notes | | NA | | NA |
| TOTALS | $ | $ | $ | $ |

Source: (City auditor) (town accountant).

(1) Excludes lease-purchase obligations (see page below), overlapping debt (see page below), unfunded pension liability (see page below), and other liabilities or contractual obligations not more than 90 days past due. As to certain contracts, see page below.

(2) "Authorized unissued bonds" do not include amounts represented by outstanding bond anticipation notes. "Outstanding after this issue" does not include bond anticipation notes funded by this issue.

(3) Of the school debt to be outstanding immediately after this issue, it is estimated (subject to appropriations) that an average of per cent of the principal on $ , together with 65 per cent

of the interest on $ , will come from state aid on projects heretofore approved for the purpose. Source: (title of local official who can verify amount of state aid). (Note: If substantial state aid has been provided for urban renewal debt, the municipality may want to reflect that also.)

(Note: Disclose any liabilities or contractual obligations more than 90 days overdue. Omit inapplicable items in all tables relating to indebtedness. The amount outstanding and authorized unissued should be as of a date within 120 days. The authorized unissued should include amounts authorized by the town meeting, mayor and council or other local governing body, whether or not still subject to referendum or state approval, but the pendency of a referendum or the need for state approval, if not obtained prior to the date of the offering circular, should be noted. Any significant authorization since the as of date or pending before the town meeting, mayor and council or other local governing body on the date of the offering circular should also be disclosed by footnote.)

It is the practice of the municipal water department to charge water rates which are sufficient, with (revenues from betterment assessments and) other operating revenues of the department, to pay the current expenses of the department, including the debt service on water debt. See page below for operating statements of the water department.

(Note: If there are no assessments, references to assessments should be omitted. If there is no significant authorized or outstanding water debt and the circular does not relate to water bonds, the foregoing paragraph may be omitted.)

The electric (and gas) department is required by law to fix electric (and gas) rates sufficient, with other operating revenues of the department, to pay the operating expenses of the department, including depreciation, and the debt service on electric (and gas) debt. Such rates may not be changed more often than once in three months. See page below for operating statements of the electric (and gas) department.

(Note: If there is no significant authorized or outstanding electric or gas debt and the circular does not relate to electric or gas bonds, the foregoing paragraph may be omitted.)

(Note: If the sewer debt is wholly or partly self sustaining, the municipality may wish to include facts so indicating.)

FIVE YEARS OUTSTANDING DEBT (1)

| | 12/31/70 | 12/31/71 | 12/31/72 | 6/30/74 | 6/30/75 |
|---|---|---|---|---|---|
| GENERAL OBLIGATION BONDS: | | | | | |
| General and school | $ | $ | $ | $ | $ |
| Water | | | | | |
| Electric (and gas) | | | | | |
| GENERAL OBLIGATION NOTES: | | | | | |
| Bond anticipation notes | | | | | |
| General and school | | | | | |
| Water | | | | | |
| Electric (and gas) | | | | | |
| Revenue anticipation notes | | | | | |
| Grant anticipation notes | | | | | |
| SUBTOTALS | | | | | |
| REVENUE BONDS AND NOTES: | | | | | |
| Electric Bonds | | | | | |
| Electric Bond anticipation notes | | | | | |
| TOTALS | $ | $ | $ | $ | $ |

Source: (City auditor) (town accountant).

(1) Excludes lease-purchase obligations, overlapping debt, unfunded pension liability and other liabilities or contractual obligations not more than 90 days past due.

(Note: Disclose any liabilities or contractual obligations more than 90 days overdue as of any of the indicated dates.)

DEBT VS. POPULATION, VALUATION AND INCOME

| | 12/31/70 | 12/31/71 | 12/31/72 | 6/30/74 | 6/30/75 |
|---|---|---|---|---|---|
| Amount(1) | $ | $ | $ | $ | $ |
| Per capita(2) | | | | | |
| Percent of assessed valuation(3) | | | | | |
| Percent of equalized valuation(4) | | | | | |
| Amount per capita divident by personal income per capita(5) | | | | | |

(1) General obligation bonds and notes including bond anticipation notes but excluding water debt, (electric and gas debt,) revenue anticipation notes and grant anticipation notes. (Note: If the water department, or electric and gas department, has not been fully self-sustaining, its debt should not be excluded.) Source: (City auditor)(town accountant).

(2) For December 31, 1970-72, population is based on the 1970 census of the United States Bureau of Census. For June 30, 1974-75, population is as estimated for 1973 by the Bureau of the Census. See page below.

(3) The assessed valuation used here is the assessed valuation as of the nearest January 1. Source: Board of Assessors.

(4) The equalized valuations used here are as follows: for December 31, 1970, those prepared as of January 1, 1970; for December 31, 1971 and 1972 those prepared as of January 1, 1972; for June 30, 1974 and June 30, 1975, those prepared as of January 1, 1974. Source: State Department of Corporations and Taxation.

(5) For December 31, 1970-71, per capita income is as of 1969 as appearing in 1970 U.S. Census. For December 31, 1972 and June 30, 1974-75, per capita income is as estimated for 1972 by the Bureau of the Census. See page below.

ANNUAL DEBT SERVICE (1)

| Fiscal Year | Outstanding: General | School | Water | Electric (and gas) | *This issue | Total |
|---|---|---|---|---|---|---|

Source: (City auditor)(town accountant).

(1) Principal and interest on general obligation bonds and notes (exclusive of revenue anticipation notes and grant anticipation notes). Also excludes bond anticipation notes except amounts to be paid from current sources. Excludes authorized unissued except this issue. Assumes per cent interest for this issue.

*(Note: Insert appropriate subheadings as in the case of outstanding debt. The MFOA guidelines suggest inclusion of annual debt service on authorized unissued indebtedness in addition to the current issue "where appropriate". If reliable projections can be made, consider inclusion. If there is also electric revenue debt, add a special column or columns for that.)

TEMPORARY LOAN MATURITIES (1)

| Due Date | Category | Principal Amount | Amount to be Refinanced by Bonds or Notes |
|---|---|---|---|
| | general obligation bond anticipation notes | $ | $ (2) |
| | revenue anticipation notes | | |
| | grant anticipation notes | | |
| | electric revenue bond anticipation notes | | |

(1) Outstanding or to be outstanding after this issue, excluding bond anticipation notes funded by this issue.

(2) Required to be funded by bonds not later than .

(Note: Here briefly summarize any lease-purchase obligations of the municipality. Also summarize any financial obligations under contracts extending over terms of 3 years or more from the contract dates, such as a lease (as lessee) or a contract for the purchase of water or electric power, but excluding ordinary construction contracts. Also summarize any continuing contract under which the municipality purchases or pays for services or facilities provided by another governmental entity. Furnish copies of all leases and contracts mentioned in this paragraph to bond counsel.)

Bonds and notes are generally authorized on behalf of the (city)(town) by (vote of two-thirds of all the members of the city council, subject to the mayor's veto, which can be overridden by a similar two-thirds vote)(a two-thirds vote of the town meeting). (Provision is made for a referendum on the filing of a petition bearing the requisite number of signatures within days after final passage of the loan authorization by the city council.) Borrowings for certain purposes require state administrative approval. Temporary loans in anticipation of current revenues and certain state and county reimbursements are generally authorized by majority vote but provision is made for temporary loans in anticipation of federal grants and for other purposes in certain circumstances without (city council)(town meeting) authorization.

The general debt limit of the (city)(town) consists of a normal debt limit and a double debt limit. The normal debt limit is per cent of the valuation of taxable property as last equalized by the State Department of Corporations and Taxation. The (city)(town) can authorize debt up to this amount without state approval. It can authorize debt up to twice this amount (the double debt limit) with the approval of the State Emergency Finance Board.

There are many categories of debt which are exempt from and do not count against either the normal debt limit or the double debt limit. Among others,

these exempt categories include temporary loans in anticipation of current revenues, temporary loans in anticipation of reimbursements or other grants, certain school bonds and sewer bonds, and subject to special debt limits, bonds for water, electric (and gas) and urban renewal purposes. Industrial revenue bonds not backed by the credit of the municipality are also exempt and are not reflected in any statement of indebtedness herein.

The general debt limit applies at the time debt is authorized. On (the date used in the first table of indebtedness above), the additional debt which could be authorized within the normal per cent was $ . The additional debt (including the foregoing amount) which could be authorized within the double debt limit was $ .

(Note: If the municipality is close to its water or electric and gas debt limit, consider referring to that in the same detail as the general debt limit.)

(Note: If refunding securities have been issued by the municipality within 25 years to avoid default, or if there has been a default in any securities of the issuer within 25 years, or if any revenue bonds or notes of the municipality have not been fully supported by pledged revenues at any time within the last ten years, or if any proceeds of bonds or notes, other than revenue anticipation notes, have been used for current operating expenses at any time within the last 10 years, e.g. a funding loan, the circumstances should be disclosed here.)

OVERLAPPING DEBT (1)

| | Amount of authorized debt as of _____ | Amount thereof outstanding as of _____ | Amount of outstanding debt chargeable to persons or property within boundaries of (city)(town) _____ |
|---|---|---|---|
| County (2) | | | |
| Metropolitan district commission (3) | | | |
| Water | | | |
| Sewer | | | |
| Park | | | |
| (Massachusetts Bay Transportation Authority) (4) | | | |
| ( Regional Transit Authority) (5) | | | |
| Regional School District (6) | | | |
| (Water) (Sewer) District (7) | | | |

(1) Excludes temporary loans in anticipation of revenue. Omits debt of the Commonwealth of Massachusetts except for Metropolitan District Commission purposes. (Also omits debt of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority. The town is among those against which any net cost of service of the Authority would be assessed, and net cost of service would include debt service on the Authority's debt. There have been no such assessments since 1963.)

(2) Source: Treasurer, County. Authorized debt includes debt authorized by the County Commissioners under general laws and debt permitted by special enabling acts whether or not yet voted by County Commissioners. Shares of debt service vary from year to year according to valuations of taxable property as last equalized by the State Department of Corporations and Taxation. Amount shown here is based on most recent equalized valuations.

(3) Source: MDC. 'Debt of MDC is issued by Commonwealth for MDC. Shares vary from year to year. Those shown here are based on percentages furnished by the Commission as most recently in effect. MDC assessments for water debt are included in municipal water department current expenses.

(4) Source: MBTA. The debt shown here includes that of the Boston Metropolitan District (not the same as the MDC), for which the MBTA is responsible. The authorized debt includes that permitted by enabling

legislation (other than refunding) whether or not it has been authorized by vote of the directors of the MBTA. The municipal share is based on a percentage furnished by the MBTA as that used in the most recent assessment of aggregate net cost of service of the MBTA, including debt service and net operating expenses, although assessments for various categories of service are separately calculated by different formulae. Shares vary from year to year. Although the Commonwealth has not committed itself to do so except in part, it is anticipated that the Commonwealth will from year to year provide contract assistance to the MBTA absorbing up to 50 per cent of the aggregate net cost of service. The percentage absorbed by the Commonwealth for 1974 was approximately 50 per cent. The 1975 net cost of service will be assessed on the cities and towns in November 1976 and the percentage to be absorbed by the Commonwealth has not yet been determined.

(5) Source: Regional Transit Authority. The authorized debt shown here here is that allocated to the Authority by statute, which allocation is subject to limited change by the State Secretary of Transportation and Construction, whether or not such amount has yet been authorized by resolution of the Administrator of the Authority. The municipal share shown here is based on a percentage furnished by the Authority as that used in the most recent assessment of the net cost of service of the Authority, including debt service and net operating expenses. Shares vary from year to year. Although the Commonwealth is not bound to do so, it is anticipated that the Commonwealth will from year to year provide contract assistance to the Authority absorbing up to 50 per cent of the aggregate net cost of service. The percentage absorbed by the Commonwealth for fiscal 1975 was approximately 50 per cent.

(6) Source: Regional School District. The shares of the member municipalities vary from year to year according to (pupil enrollment) (equalized tax valuations). The share shown here has been estimated by based on present circumstances, which are subject to change. Subject to appropriations, the district estimates with respect to outstanding debt that an average of per cent of the principal on $ , together with 65 per cent of the interest on $ , will come from state aid on projects heretofore approved for the purpose.

(7) Source: . The district lies (entirely)(largely) (partly) within the (city)(town). (The district charges water rates designed with other receipts to cover current expenses including debt service.) (The percentage chargeable to persons or property within the municipality is based on an estimate by of the portion of the taxable property of the district situated within the municipality.)

(Note: The amounts should be shown as of a date within 120 days.

## Retirement Plan

The (city)(town) has a contributory retirement system that is partially funded by employee contributions. The (city)(town) meets its share of the cost on a pay-as-you-go basis by contributing annually the amount determined by the State Division of Insurance. Such amount is a legal obligation of the (city)(town) and is required to be included in its annual tax levy. The retirement system covers substantially all municipal employees except school teachers, whose pensions are paid by the Commonwealth. The annual contributions of the (city)(town) to the retirement system for the last five fiscal years and for the next two fiscal years were and are as follows:

| Year Ending | Amount |
|---|---|
| December 31, 1970 | |
| December 31, 1971 | |
| December 31, 1972 | |
| *June 30, 1974 | |
| June 30, 1975 | |
| June 30, 1976 | |
| June 30, 1977 | |

*18 month fiscal year

Source: Municipal Retirement Board.

During the last five fiscal years approximately to per cent of the benefits were paid from the contributions of the (city)(town).

The estimated unfunded actuarial liability of the system as of January 1, 1974 is $ .* No other estimate is available as of any date within or since the last five fiscal years.

*Source: Massachusetts Retirement Law Commission. The estimate was used by the Commission in computing unfunded actuarial liabilities of local systems for inclusion in its Actuarial Valuation Report of the Contributory Retirement Systems of the Commonwealth of Massachusetts dated January 5, 1976. The assumptions on which the report was based are set forth in the report and included, among others, level salary increases of 3 per cent per year plus merit increases ranging from 1.8 per cent per year at younger ages to no increases at older ages, and cost-of-living increases in post-retirement benefits averaging 3 per cent each year. Actual salary and cost-of-living increases may exceed these rates.

The foregoing data do not include the retirement system costs or liabilities of any larger entity, such as the county, of which the (city)(town) is a constituent part and for which the (city)(town) is assessed a share of expenses.

Note: Appropriate modifications should be made or additional information furnished if the municipality (a) uses a retirement system other than its own contributory system under Chapter 32 of the General Laws (some towns operate through a county system), or (b) makes retirement or related payments under some other arrangement in addition to its own contributory retirement system under Chapter 32, or (c) contains in whole or in part a water, sewer or other separately established district (other than a regional school district or a metropolitan district) having or participating in a retirement system, or (d) has an estimate of unfunded actuarial liability not shown here as of any date within or since the last five fiscal years. If the municipality did not participate in the data bank used by the Retirement Law Commission in preparing its report, the following alternative paragraph is suggested as to unfunded liability (if it fits the situation accurately):

No actuarial estimate of unfunded liability is available as of any date within or since the last five fiscal years.

## Financial Statements

The following summary balance sheets and summary statements of receipts and expenditures of the general account of the (city)(town) have been prepared from records of the (city auditor) (town accountant). They include the municipal water (and electric and gas) department(s) but do not include trust, retirement system (see "Retirement Plan" above) and other special accounts. (See also "Indebtedness" above.)

The balance sheets are prepared on a modified accrual basis. Property taxes are taken into account when levied. Other accounts receivable are fully offset by reserves until collected. As of the end of each fiscal year, the anticipated revenue of the following year is shown as an asset and the appropriations for the following year are shown as a liability.

The (city)(town) operates under accounting procedures established by the Commonwealth. These procedures differ in some respects from generally accepted accounting principles as published by the Municipal Finance Officers Association and the Amercian Institute of Certified Public Accountants. For example, the (city)(town) does not maintain general fixed assets accounts. As another example, although the (city)(town) adds an overlay to its property tax levy for anticipated abatements, its balance sheets do not reflect an allowance for otherwise uncollectible taxes until an unpaid tax becomes a tax title, at which time the amount is charged against surplus and fully offset by a reserve. However, as indicated below at page , uncollected taxes are fully deducted in computing "free cash".

The statements of receipts and expenditures are prepared on a cash basis.

The accounts of the (city)(town) are audited by the Bureau of Accounts of the Commonwealth. Such audits have been completed through June 30, , and (copies) (summaries) of the audit reports for the years covered by this Official Statement up to that date may be obtained from the (city auditor) (town accountant). (Note: Copies of such audit reports and summaries should be furnished to bond counsel.)

(Note: If the financial statements of the municipality are certified by independent auditors, audited financial statements should be used, along with the auditor's certificate, for which written consent should be obtained, and the text of all materials in the offering circular relating to the financial statements should be reviewed with the auditors.)

(Note: The MTOA guidelines suggest five years' statements of receipts and expenditures but say that three years are sufficient where "the information for the fourth and fifth previous years does not reflect trends different from those reflected in information for three years, or is not otherwise of special informational value".)

GENERAL ACCOUNT

BALANCE SHEET

ASSETS

| | June 30, 1974 | June 30, 1975 |
|---|---|---|
| Cash and investments | $ | $ |
| General revenue | | |
| Federal revenue sharing | | |
| Non-revenue | | |
| Property taxes receivable | | |
| Levy of 1974-1975 | | |
| Levy of 1973-1974 | | |
| etc. | | |
| Subtotal | | |
| Tax titles | | |
| Tax possessions | | |
| Other accounts receivable | | |
| Motor vehicle excise | | |
| Levy of 1975 | | |
| Levy of 1974 | | |
| etc. | | |
| Subtotal | | |
| Grants and distributions from federal, state & county governments | | |
| Water (2) | | |
| Electric (& gas) (2) | | |
| Sewer (2) | | |
| Other | | |
| Serial loans authorized | | |
| Overlay deficits (1) | | |
| Anticipated revenue for following fiscal year | | |
| TOTALS | $ | $ |

(1) Excess of property tax abatements over overlay - to be raised by subsequent property taxes.

(2) See page above as to restrictions on use of certain water, electric (and gas) and sewer funds (and lien on elecric revenues for revenue bonds).

(Note: The categories listed in these sample financial statements are illustrative only.)

## LIABILITIES

| | June 30, 1974 | June 30, 1975 |
|---|---|---|
| Temporary Loans | $ | $ |
| Other liabilities | | |
| Fund balances | | |
| Sewer (2) | | |
| Water (2) | | |
| Electric (and gas) (2) | | |
| Electric (and gas) depreciation fund(2) | | |
| Serial loans authorized and unissued | | |
| Revenues reserved until collected | | |
| Overlay for property tax abatements | | |
| Reserve fund-overlay surplus (1) | | |
| Budgeted appropriations for following fiscal year | | |
| Surplus revenue (or revenue deficit) | | |
| TOTALS | $ | $ |

(1) Excess of unused overlay over remainder of levy.

(2) See page above as to restrictions on use of certain water, electric (and gas) and sewer funds (and lien on electric revenues for revenue bonds).

GENERAL ACCOUNT



RECEIPTS AND EXPENDITURES

RECEIPTS

| | Fiscal Year Ended | | |
|---|---|---|---|
| | 12/31/72 | 6/30/74(1) | 6/30/75 |
| Property taxes | $ | $ | $ |
| Motor vehicle excise | | | |
| Federal revenue sharing | | | |
| State tax distributions | | | |
| Other grants for current purposes | | | |
| Betterment assessments | | | |
| Water (2) | | | |
| Sewer (2) | | | |
| Other | | | |
| Water rates and miscellaneous receipts (2) | | | |
| Electric (& gas) rates and miscellaneous receipts (2) | | | |
| Other | | | |
| Subtotals | $ | $ | $ |
| Cash and investments at beginning of period | | | |
| General revenue | | | |
| Federal revenue sharing | | | |
| Non-revenue | | | |
| Grants and distributions for capital outlay | | | |
| Serial loan proceeds | | | |
| Temporary loans (3) | | | |
| Anticipation of revenue | | | |
| Anticipation of serial loans | | | |
| Anticipation of grants | | | |
| Totals | $ | $ | $ |

(1) 18-month fiscal year
(2) See page above as to restrictions on use of certain water, electric (and gas) and sewer funds (and lien on electric revenues for revenue bonds).
(3) Excludes renewals.

## EXPENDITURES

| | Fiscal Year Ended | | |
|---|---|---|---|
| | 12/31/72 | 6/30/74(1) | 6/30/75 |
| General government | $ | $ | $ |
| Schools | | | |
| Water department | | | |
| Electric (& gas) department | | | |
| Interest on temporary loans in anticipation of revenue | | | |
| Debt service on serial loans (2) | | | |
| General (including school) | | | |
| Water | | | |
| Electric (& gas) | | | |
| State & County Assessments (3) | | | |
| Other | | | |
| Subtotals | $ | $ | $ |
| Cash and investments at end of period | | | |
| General revenue | | | |
| Federal revenue sharing | | | |
| Non-revenue | | | |
| Capital outlay | | | |
| Principal on temporary loans (4) | | | |
| Totals | $ | $ | $ |

(1) 18-month fiscal year

(2) Includes interest and partial retirements of principal of temporary loans in anticipation of serial bonds.

(3) Assessments for water are excluded here and included in "water department" above.

(4) Excludes renewals. Also excludes partial retirements of principal of temporary loans in anticipation of serial loans.

(Note: The following suggestions are quoted from the MFOA draft guidelines: "The financial information should reflect the retroactive adjustment of any material items affecting the comparability of the results.... Disclose the effects in dollar amounts of extraordinary receipts or expenditures and describe the nature and purpose of the receipts or expenditures... In connection with the financial statements, whenever necessary, reflect information or explanations of material significance to investors in appraising the results shown, including analyses of material increases or decreases in significant categories during the last two fiscal years....".)

FREE CASH

Under Massachusetts law an amount known as "free cash" is certified as of the beginning of each fiscal year by the State Director of Accounts and this, together with certain subsequent tax receipts, is used as the basis for subsequent appropriations from available funds. (See page below). Subject to certain adjustments, free cash is surplus revenue less uncollected and overdue property taxes from prior years. As of the beginning of each of the last five fiscal years and of the current fiscal year the certified free cash of the (city)(town) was:

| Date | Amount of "Free Cash" |
|---|---|
| January 1, 1970 | $ |
| January 1, 1971 | |
| January 1, 1972 | |
| January 1, 1973 | |
| July 1, 1974 | |
| July 1, 1975 | |

(Note: If the offering circular relates to water bonds or electric or gas bonds, or if there is significant water or electric or gas debt, whether outstanding or authorized but not yet issued, it is suggested that water receipts and expenditures, or electric and gas receipts and expenditures, be separately shown even though they are also included in the statement of general receipts and expenditures.)

WATER DEPARTMENT

RECEIPTS (1)

| | Fiscal Year Ended | | |
|---|---|---|---|
| | 12/31/72 | 6/30/74(2) | 6/30/75 |
| Betterment assessments (3) | $ | $ | $ |
| Water rates | | | |
| Other | | | |
| SUBTOTALS | $ | $ | $ |
| Fund balance at beginning of period | | | |
| TOTALS | $ | $ | $ |

(1) See page above as to restriction on use of water funds.

(2) 18-month fiscal year.

(3) Betterment assessments are paid in part over a variety of periods and in part on a lump-sum basis.

EXPENDITURES (1)

| | Fiscal Year Ended | | |
|---|---|---|---|
| | 12/31/72 | 6/30/74(2) | 6/30/75 |
| Operating expenses | $ | $ | $ |
| Contributions to retirement plan | | | |
| Other current expenses | | | |
| Debt service on water debt | | | |
| Payments in lieu of taxes | | | |
| SUBTOTALS | $ | $ | $ |
| Fund balance at end of period | | | |
| TOTALS | $ | $ | $ |

(1) Although debt amortization is reflected herein, depreciation is not.

(2) 18-month fiscal year.

Source: (City auditor) (Town accountant).

ELECTRIC (AND GAS) DEPARTMENT

RECEIPTS (1)

| | Fiscal Year Ended | | |
|---|---|---|---|
| | 12/31/72 | 6/30/74(2) | 6/30/75 |
| Operating Revenues | $ | $ | $ |
| Other | | | |
| SUBTOTALS | $ | $ | $ |
| Fund balance at beginning of period | | | |
| TOTALS | $ | $ | $ |

(1) See page above as to restrictions on use of electric funds (and lien on electric revenues for revenue bonds).

(2) 18-month fiscal year.

EXPENDITURES

| | Fiscal Year Ended | | |
|---|---|---|---|
| | 12/31/72 | 6/30/74(1) | 6/30/75 |
| Operating Expenses (2) | $ | $ | $ |
| Contributions to retirement plan | | | |
| Debt service on electric (and gas) debt | | | |
| Depreciation (3) | | | |
| Payments in lieu of taxes | | | |
| SUBTOTALS | $ | $ | $ |
| Fund balance at end of period (4) | | | |
| TOTALS | $ | $ | $ |

(1) 18-month fiscal year.

(2) Excludes payments from depreciation fund.

(3) Provision is made for depreciation in addition to debt amortization.

(4) Excluding depreciation fund.

Source: (City auditor) (town accountant)

## Property Taxation

The principal tax of the (city)(town) is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from available funds. The estimated receipts for a fiscal year from other sources may not exceed the actual receipts during the preceding calendar year from the same sources unless approved by the State Tax Commission. Excepting special funds the use of which is otherwise provided for by law, the deduction for appropriations voted from available funds for a fiscal year cannot exceed the certified "free cash" (see page above) as of the beginning of the prior fiscal year plus (note: in the case of a town insert: "with the approval of the State Director of Accounts") certain collections on account of prior years' taxes after that date. Among the sums required by law to be included in the tax levy are debt and interest charges not otherwise provided for, amounts necessary to pay final judgments and, as described below, abatements of prior years' taxes in excess of applicable overlays.

A single tax rate applies for each fiscal year to the assessed value of the taxable real and personal property. The assessed value is required by Massachusetts law to be based on 100 per cent of fair cash value. Legislation was enacted in 1975 to provide that, subject to limited state review, assessors may determine fair cash value by one or a combination of accepted methods, including a comparison of sales prices, capitalization of income and replacement

cost less depreciation. The constitutionality of this statute has not been judicially determined. (Note: Here discuss briefly the methods of valuation actually used by the issuer and any significant change made during the last five years or presently proposed.)

There are in fact substantial discrepancies between fair cash values and assessed valuations within municipalities in Massachusetts and relative discrepancies as between municipalities. In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the State Tax Commission biennially, makes its own redetermination of the fair cash value of the taxable property in each municipality. This is known as the "equalized value". (The question of whether the Commission meets constitutional standards in its equalization process is in litigation.) Although the ratio of the (city's)(town's) total assessed valuation to its equalized value is known and is shown hereinafter, the (city)(town) does not maintain records showing by category of property the ratio of assessed valuations to true value. It is believed, however, that substantial discrepancies exist in the relative valuations of various categories of the (city's)(town's) taxable property. In other municipalities litigation concerning disproportionate valuations has led to court-ordered revaluations and, in some instances, to delayed tax bills. (Note: This paragraph will need modification from issuer to issuer. Discuss any disproportionate tax litigation relating to the issuer. If there are surveys of disproportion by the issuer or litigants or others, it is probably better to refer to such surveys rather than subjective belief.)

The taxes for each fiscal year are due in two installments on November 1 and May 1. (The (city)(town) changed from a calendar year basis to a June 30

fiscal year in 1973 and until that time the taxes were due in one installment on November 1.) Interest accrues on delinquent taxes at the rate of 8 per cent per annum retroactive to one month before the due date. Real property (land and buildings) is subject to a lien for the taxes assessed upon it (subject to any paramount federal lien and subject to bankruptcy and insolvency laws). (If the property has been transferred, an unenforced lien expires on the second October 1 after the fiscal year; otherwise an unenforced lien expires upon a later transfer of the property; provision is made, however, for continuation where the lien could not be enforced because of a legal impediment.) The persons against whom real or personal property taxes are assessed are personally liable therefor (subject to bankruptcy and insolvency laws). In the case of real property, this personal liability is effectively extinguished by sale or taking of the property as described below and the personal liability is not ordinarily utilized for collecting purposes. Massachusetts law permits a municipality either to sell by public sale (at which the municipality may become the purchaser) or to take real property for nonpayment of taxes thereon. In either case the property owner can redeem the property by paying the unpaid taxes, with interest and other charges, but if the right of redemption is not exercised within six months (which may be extended an additional year in the case of certain installment payments), it can be foreclosed by petition to the land court. Upon such foreclosure, a tax title purchased or taken by the municipality becomes a "tax possession" and may be held and disposed of like any land held for municipal purposes.

(Note: Here discuss actual collection practices, including timing of sale, taking and foreclosure proceedings, and any significant changes in such practices during the last five years or presently proposed.)

The (city)(town) is authorized by law to increase each tax levy by up to five per cent (or a larger amount approved by the State Tax Commission) for an "overlay" to provide for tax abatements. If abatements are granted in excess of the applicable overlay, the excess is added to the next tax levy. The overlay for the current fiscal year is per cent.

Abatements are ordinarily granted where exempt real or personal property has been assessed or where taxable real or personal property has been over-valued or disproportionately valued. The assessors may also abate uncollectible personal property taxes. Uncollectible real property taxes are ordinarily not written off until they become municipal tax titles (either by purchase at the public sale or by taking), at which time the tax is written off in full by reserving the amount of the tax and charging surplus.

ASSESSMENTS

| For Fiscal Year | Assessed Valuations(1) Real Property | Tangible Personal Property | Total | Equalized valuation(2) | Ratio of total assessed valuation to equalized |
|---|---|---|---|---|---|
| 1975-76 | | | | | |
| 1974-75 | | | | | |
| 1973-74 | | | | | |
| 1972 | | | | | |
| 1971 | | | | | |
| 1970 | | | | | |

(1) As of January 1, 1970, 1971, 1972, 1973, 1974 and 1975 respectively.

(2) As of January 1, 1970 for the fiscal years ending December 31, 1970 and 1971; as of January 1, 1972 for the fiscal years ending December 31, 1972 and June 30, 1974; as of January 1, 1974 for the fiscal years ending June 30, 1975 and 1976.

TAX LEVIES AND COLLECTIONS

| For Fiscal Year | Tax Rate | Total Tax Levy | Net Tax Levy(1) | % of Net Collected at FY End(2)(3) | % of Net Collected at (recent date)(2) |
|---|---|---|---|---|---|
| 1975-76 (1st half) | | | | | |
| 1974-75 | | | | | |
| 1973-74 (18 mos.) | | | | | |
| 1972 | | | | | |
| 1971 | | | | | |
| 1970 | | | | | |

(1) Net after deduction of overlay for abatements.
(2) Actual collections of levy (less refunds and amounts refundable) (including proceeds of tax titles and tax possessions attributable to such levy but not including abatements or other credits).
(3) At December 31, 1975 for FY 1975-76 first half. Otherwise, at end of fiscal year for which levied.

TAXES OUTSTANDING

| Date | Aggregate Overdue Property Taxes(1) | Tax Titles | Tax Possessions | Outstanding Tax Anticipation Notes |
|---|---|---|---|---|
| December 31, 1975 | | | | |
| June 30, 1975 | | | | |
| June 30, 1974 | | | | |
| December 31, 1972 | | | | |
| December 31, 1971 | | | | |
| December 31, 1970 | | | | |

(1) For current and prior fiscal years. Excludes tax titles, tax possessions and abated taxes. Includes taxes in litigation (if any).

(Note: After June 30, 1976 there should be appropriate changes in the dates used in the foregoing tables.)

## LARGEST TAXPAYERS

| Name | Nature of Business | Amount of tax(1) | % of total levy(1) |
|---|---|---|---|

(1) Levy for 1975-1976.

(Note: Be sure to include every taxpayer paying more than 10 per cent of the property tax levy. If a shut-down or reduction in force or other change has occurred or is threatened indicating a significant reduction in future tax payments by a listed taxpayer, so indicate.)

## Motor Vehicle Excise

In addition to the tax on real and personal property there is an excise at a uniform state-wide rate on the valuation of motor vehicles as determined by a statutory formula. Motor vehicle excises are not taken into account until collected. The valuations of motor vehicles are in addition to the real and personal property valuations.

| Fiscal Year | Receipts(1) | Valuations(2) |
|---|---|---|
| 1974-75 | | |
| 1973-74 | | |
| 1972 | | |
| 1971 | | |
| 1970 | | |

(1) Net after refunds. Includes receipts from prior years' levies.

(2) Estimate per statutory formula based on net receipts.

## Economy and Population

(Note: Here describe the location and general character of the municipality, for example: The city is an industrial-residential suburb located miles west of Boston. It has a population of approximately and occupies a land area of square miles. Industrial activity is concentrated along Route 128, the circumferential highway around Boston which runs north and south through the city. Retail trade is concentrated in the city's central business district.)

### PRINCIPAL INDUSTRIES

| Industry | Avg. 19 Employees |
|---|---|

Source: City & Town Monograph, City. Town of , Massachusetts Department of Commerce and Development (Revised 19 ).

### PRINCIPAL EMPLOYERS

| Name | Nature of business | Approx. Current Employment |
|---|---|---|

Source:

(Note: Describe any major change in the employment by industries or employers during the last five years or presently anticipated. Describe the economic effects of any addition or loss of major industrial or commercial entities in the last five years.)

## BUILDING PERMITS

| Year | Residential | | Non-residential | |
|---|---|---|---|---|
| | Number | Est. Value | Number | Est. Value |
| 1976 (to ) | | | | |
| 1975 | | | | |
| 1974 | | | | |
| 1973 | | | | |
| 1972 | | | | |
| 1971 | | | | |

Source:

## OTHER DATA

Population
- 1970 (1)
- 1973 (2)

Median age 1970 (1)

Median family income 1969 (1) $

Per capita income
- 1969 (1) $
- 1972 (2) $

Public school enrollment (3)

Unemployment (4) %

(1) Source: 1970 U.S. Census, Vol. 1, Part 23 (Massachusetts) Tables 6, (24)(28) and (89)(107)(118). (Note: Use applicable figures from 1975 State census when available.)

(2) Source: Current Population Reports, Population Estimates and Projections, U.S. Department of Commerce, Bureau of the Census, Series P-25, No. 566, Issued June 1975

(3) As of October 1, 19 . Includes enrollment in regional district schools. Source: Local school department.

(4) Residents of the (city)(town) as of . Source: Massachusetts Division of Employment Security.

(Note: Other information may also be appropriate, including in some cases information relating to neighboring areas which may provide important sources of employment or otherwise affect the municipality in a major way.)

(CITY)(TOWN) OF

By

(City)(Town) Treasurer

MASS
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UNIVERSITY OF MASSACHUSETTS

INSTITUTE FOR GOVERNMENTAL SERVICES

# MANUAL

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# Fifth Annual Massachusetts Cherry Sheet Conference

## August 17, 1978

**Boston Park Plaza Hotel**
**64 Arlington Street**

# CHERRY SHEET MANUAL

A SUPPLEMENT TO THE FIFTH
ANNUAL CHERRY SHEET CONFERENCE

August 1978

INSTITUTE FOR GOVERNMENTAL SERVICES
MAURICE A. DONAHUE, DIRECTOR
UNIVERSITY OF MASSACHUSETTS

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The analyses, opinions and conclusions expressed do not necessarily reflect those of the Institute, the University, or the Executive Office of Administration and Finance.

--Institute for Governmental Services

TABLE OF CONTENTS


INTRODUCTION -1-

UNDERSTANDING THE CHERRY SHEET -5-

CHAPTER 367 OF THE ACTS OF 1978: SECTIONS 67 THROUGH 70-0 -39-

EXECUTIVE BUDGET RECOMMENDATIONS FOR
LOCAL AID IN FISCAL YEAR 1979 -61-

PERSPECTIVE OF THE CITIES AND TOWNS -75-

FINANCING PUBLIC EDUCATION IN MASSACHUSETTS -97-

# INTRODUCTION

The Institute for Governmental Services was founded in 1970. Affiliated with the University's central administrative offices, it is a linking agency between the University of Massachusetts - Amherst, Boston, Worcester - and state and local government in the Commonwealth. The Institute's Director is Maurice A. Donahue, Walsh-Saltonstall, Professor of Practical Politics, and former President of the Massachusetts Senate.

The goal of the Institute is to assist state and local officials so that they may better serve the citizens they represent. Their assistance takes the form of training, research, technical assistance, and publications. Since its founding the Institutes' programs have trained more than 15,000 local officials in over 250 workshops, conferences, and courses which have reached all the 351 towns and cities of Massachusetts.

The history of the Institute's involvement in the area of state-local fiscal relations covers a five year period, beginning with the uniform fiscal cycle change of 1972. Since the first series of regional forums, the Institute has assumed an increasing role in assisting mayors, managers, and municipal finance officers to meet the responsibilities of modern government.

Named for the pinkish colored paper on which it was originally printed, the "Cherry Sheet" combines for convenience two separate annual notifications to each city and town. The first notice served by the Cherry Sheet is the estimated amount of aid which each city or town can expect to receive from the state under various funding programs, the total of which is used to reduce the amount to be raised by local property taxation. The second notice which this form serves is to inform cities and towns of the "changes and assessments" which it must pay to other levels of government during the fiscal year, the total of which must be added to the local property tax levy.

Thus, the Cherry Sheet plays a key role in Massachusetts municipal finances... It is the balance sheet in state-local fiscal relations. Concerned about what the Cherry Sheet figures mean for their individual communities, Massachusetts municipal officials gather each year at this conference to get a briefing about a piece of paper important to all of them -- the Massachusetts "Cherry Sheet".

# UNDERSTANDING THE CHERRY SHEET

The material in the first part of this section was compiled and submitted for publication by the Massachusetts Department of Corporations and Taxation; and, in the second part, by Mr. Stuart DeBard of the Association of Town Finance Committees.

## STATE-LOCAL FISCAL RELATIONS

### The "Cherry Sheet"

State-local fiscal relations in Massachusetts can best be illustrated by reference to the "Cherry Sheet", which in recent years has come to symbolize the transfer of funds between levels of government. Formerly the "Cherry Sheet" was a large single sheet of cherry pink paper. Now two, more manageable forms are mailed at the same time. One is notification by the Commissioner of Corporations and Taxation to the assessors of the estimated assessments and charges for the next fiscal year against the city or town, which it must pay for services performed by other levels of government. The total of the estimated charges is used in determining the amount to be raised from the property tax. The other form is notification by the State Tax Commission to the assessors of the estimated receipts to be paid to the city or town from the State during the next fiscal year. The total of the estimated receipts is used to reduce the amount to be raised by local property taxation.

In addition to the estimated receipts to be paid directly to cities and towns, which totalled $796.8 million for fiscal 1978, there are numerous locally related aid programs. These payments by the State to regions, housing authorities, retired teachers, the MBTA, etc., were estimated to total $356.5 million for fiscal 1978-including $90.9 million for regional school districts. Starting for fiscal 1978, the State Tax Commission issued notices of estimated receipts to regional school districts with copies to the member cities and towns.

There are other transfers of funds between local governments and regional school districts or special purpose districts which are local arrangements and there are a few state-aid programs such as certain kinds of highway aid, which are not shown.

Thus, while the "Cherry Sheet" does not show the total relationship between the state and each city or town or between cities and towns, it does illustrate several factors of state-local relations which are unique to Massachusetts, or at least to New England:

1. The place of the city or town in the overall pattern of government.

2. The system of assessments and charges for costs of other governments which the city or town must pay through the local property tax.

3. The system of state-aid appropriated reimbursements and distributions tied directly to the reduction of the local property tax.

C. S. 1-EC

FISCAL 1979

# The Commonwealth of Massachusetts – DEPARTMENT OF CORPORATIONS AND TAXATION

## NOTICE TO ASSESSORS OF FISCAL 1979 ESTIMATED CHARGES TO BE USED IN DETERMINING THE TAX LEVY

GENERAL LAWS, CHAPTER 59, SECTION 21 .....

NAME OF CITY OR TOWN

| The following County Tax and State Assessments as estimated and the underestimates from the prior year must be used by the Assessors in determining the Gross Amount to be raised by Taxation. Overestimates from the prior year must be used by the Assessors as Available Funds. | Column 1 Estimates to be raised | Column 2 **Prior Year** Underestimates to be raised (1977) (1978) | Column 3 **Prior Year** Overestimates to be Used as Available Funds (1977) (1978) |
|---|---|---|---|
| 1. County Tax G.L. CH. 35, s. 31; 1974, CH. 492 After Commonwealth Share of Court Costs $ _____ | | | |
| 2. County Hospital G.L. CH. 111, s. 85 ..... | | | |
| 3. Special Education G.L. 71B, ss. 10, 12; 1972, CH. 766 .. | | | |
| 4. Audit of Municipal Accounts G.L. CH. 44, ss. 41, 46A .. | | | |
| 5. State Examination of Retirement System G.L. CH. 32, s. 21 (2) ..... | | | |
| 6. Motor Vehicle Excise Tax Bills 1962, CH. 727 ..... | | | |
| 7. State Assessment System G.L. CH. 58, ss. 7A–7E ..... | | | |
| Health Insurance G.L. CH. 32A, ss. 10B (c), 12: | | | |
| 8. Elderly Governmental Retirees ..... | | | |
| 9. Retired Municipal Teachers ..... | | | |
| 10. State Recreation Areas Outside Metropolitan Parks District G.L. CH. 132A, ss. 4–6 ..... | | | |
| 11. Metropolitan Parks G.L. CH. 92, ss. 54–59A ..... | | | |
| 12. Metropolitan Sewerage G.L. CH. 92, ss. 5–8 ..... | | | |
| 13. Connection Charges ..... | | | |
| 14. Metropolitan Water G.L. CH. 92, ss. 26, 26A ..... | | | |
| 15. Connection Charges and Entrance Fees ..... | | | |
| 16. Boston Metropolitan District Expenses 1929, CH. 383, s. 12; 1954, CH. 535 ..... | | | |
| 17. Massachusetts Bay Transportation Authority: G.L. CH. 161A, ss. 8, 9; 1974, CH. 825, ss. 6, 7 Net Cost of Service – Jan. 1, 1977 – Dec. 31, 1977 After Commonwealth Credit $ _____ | | | |
| 18. Regional Transit Authorities: G.L. CH. 161B, ss. 10, 11; 1973, CH. 1141 Net Cost of Service – July 1, 1977 – June 30, 1978 After Commonwealth Credit $ _____ | | | |
| 19. Mosquito Control Projects G.L. CH. 252, s. 5A ..... | | | |
| 20. Air Pollution Control Districts G.L. CH. 111, ss. 142B, 142C; 1960, CH. 676, s. 1 ..... | | | |
| 21. Metropolitan Area Planning District G.L. CH. 40B, ss. 26, 29; 1974, CH. 476 ..... | | | |
| 22. Old Colony Planning Council 1967, CH. 332 ..... | | | |
| 23. Shellfish Purification Plants 1961, CH. 506, s. 2 ..... | | | |
| 24. Ipswich River Watershed District 1966, CH. 682; 1971, CH. 16 ..... | | | |
| 25. ..... | | | |
| 26. ..... | | | |

C.S. 1-ER FISCAL 1979

# The Commonwealth of Massachusetts – DEPARTMENT OF CORPORATIONS AND TAXATION

## NOTICE TO ASSESSORS OF FISCAL 1979 ESTIMATED RECEIPTS TO BE USED IN DETERMINING THE TAX LEVY

GENERAL LAWS, CHAPTER 58, SECTION 25A, AND CHAPTER 59, SECTION 23 ..... NAME OF CITY OR TOWN

| | | |
|---|---|---|
| A. | General Fund Appropriated Reimbursement Programs: | |
| 1. | Appeals Court Officers G.L. CH. 221, ss. 73-76 | $ |
| 2. | Maintenance of Suffolk County Court House 1935, CH. 474 | |
| 3. | Pensions to Retired Teachers G.L. CH. 32, s. 20 (2) (c) | |
| 4. | Loss of Taxes on Land G.L. CH. 58, ss. 13-17B | |
| 5. | Loss of Taxes, Flood Control G.L. CH. 58, s. 17 | |
| 6. | Real Estate Abatements to Veterans G.L. CH. 59, s. 5, clauses 22A-22E | |
| 7. | Real Estate Abatements to Widows and others G.L. 59, s. 5, c. 17 & c. 37 | |
| 8. | Real Estate Abatements to Blind Persons G.L. CH. 59, s. 5, c. 37 | |
| 9. | Government Center in lieu of taxes – Boston 1960, CH. 635, s. 8 | |
| 10. | Police Career Incentive G.L. CH. 41, s. 108L | |
| 11. | Cultivation and Protection of Shellfish G.L. CH. 130, s. 20 | |
| 12. | Urban Renewal (Federally Aided) Projects G.L. CH. 121 | |
| 13. | Urban Renewal (Non-Federally Aided) Projects G.L. CH. 121 | |
| 14. | Veterans' Benefits G.L. CH. 115, s. 6 | |
| 15. | Tuition and Transportation of Children | |
| 16. | Highway & Transit – Fringe MBTA Communities | |
| 17. | Highway Reconstruction and Maintenance | |
| 18. | Vocational Education G.L. CH. 74, ss. 9, 10 & 12 | |
| 19. | Outside Vocational School Transportation G.L. CH. 74, s. 8A | |
| 20. | Transportation of Pupils G.L. CH. 71, ss. 7A & 37D | |
| 21. | School Transportation G.L. CH. 71, s. 7B | |
| 22. | Regional Public Libraries G.L. CH. 78, s. 19C | |
| 23. | Construction of School Projects 1948, CH. 845 | |
| 24. | Tuition for State Wards G.L. CH. 76, ss. 7 & 9; G.L. CH. 74, s. 7A | |
| 25. | | |
| 26. | | |
| 27. | | |
| 28. | | |
| | Reimbursement Offset Items – Reserve for Direct Expenditures | |
| 29. | Water Pollution Abatement Program G.L. CH. 21, s. 37 | |
| 30. | Racial Imbalance Program G.L. CH. 76, s. 12A | |
| 31. | Magnet Education Program G.L. CH. 71, ss. 37I & 37J | |
| 32. | Equal Education Improvement Fund, G.L. CH. 15, s. 11 | |
| 33. | Public Libraries G.L. CH. 78, s. 19A | |
| 34. | School Breakfast Program 1970, CH. 871 | |
| 35. | School Lunch Program (Partial Assistance) 1970, CH. 871 | |
| 36. | Elderly Lunch Program G.L. CH. 15, ss. 7 & 9 | |
| 37. | | |
| B. | General Fund Appropriated Distributions G.L. CH. 58, s. 18A | |
| 1. | Transitional Bilingual Education G.L. CH. 71A | |
| 2. | Special Education Programs G.L. CH. 71B; 1972, CH. 766 | |
| 3. | School Aid G.L. CH. 70, as amended | |
| 4. | Adjustment | |
| 5. | Adjustment | |
| C. | Local Aid Fund Distribution (Lottery, Beano, Charity Games) G.L. CH. 29, s. 2D | |
| D. | Highway Fund Distribution G.L. CH. 81, s. 31; 1971, CH. 497 | |
| E. | Urban Redevelopment Corporation Excise Distribution G.L. CH. 121A, s. 10 | |
| F. | TOTAL ESTIMATED RECEIPTS – ALL FUNDS (See detail below) | $ |

TOTAL ESTIMATED GENERAL FUND APPROPRIATED REIMBURSEMENTS
Total of Programs in A $

TOTAL ESTIMATED GENERAL FUND APPROPRIATED DISTRIBUTIONS
Total of Programs in B $

TOTAL ESTIMATED ALL OTHER FUNDS DISTRIBUTIONS
Total of Items C, D & E $

450-2-78-D-302084

THE COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF CORPORATIONS AND TAXATION

NOTICE TO REGIONAL SCHOOL DISTRICTS OF FISCAL 1979 ESTIMATED RECEIPTS

Name of Regional School District _____

Member Cities and Towns _____

A. General Fund Appropriated Reimbursement Programs:

1. Racial Imbalance Program G. L. CH. 76, s. 12A . . . . . $_____
2. Outside Vocational School Transportation G. L. CH. 74, s. 8A _____
3. Construction of School Projects 1948, CH. 645, 1974, CH. 492, s. 18 . . . . . _____
4. School Lunch Program (Partial Ass't) 1951, CH. 538 . . . _____
5. Elderly Lunch G. L. CH. 15, ss. 7 & 9 . . . . . _____
6. Regional School District Aid G. L. CH. 71, s. 16D . . . . _____
7. Transportation of Pupils G. L. CH. 71, s. 16C . . . . . _____
8. School Related Transportation . . . . . _____
9. Special Needs Recreation . . . . . _____
10. Tuition - State Wards . . . . . _____
11. ..... _____

B. General Fund Appropriated Distributions

1. School Aid G. L. CH. 70, as amended . . . . . _____
2. Adjustment . . . . . _____
3. Adjustment . . . . . _____

C. TOTAL ESTIMATED RECEIPTS - REIMBURSEMENTS AND DISTRIBUTIONS . . . $_____

## The Pattern of Government

The pattern of government in the Commonwealth differs greatly from that of most other states of the Union, especially in the number and variety of independent government units and the place of each in overall structure. Massachusetts has a small number of governments as compared with other states.

All states, of course, have a central government and all states have been divided into county governments for the administration of justice, keeping of certain records, highway construction and maintenance, and other state related functions. In addition, as certain areas grew large enough to incorporate, they were given municipal powers; they were established as school districts, not necessarily part of or coterminous with municipalities; or they were established as special districts. In most cases, each of these various units--state, county, municipality, school district, special district--was given its own taxing powers. Separate taxes for each county and each local government, (frequently overlapping) are the rule.

The Massachusetts governmental structure, however, did not develop along this line. From the earliest history of both the Plymouth and Massachusetts Bay Colonies, the cities and towns have had a much different place in the overall structure than their counterparts have had in other states. One difference not generally appreciated is that Massachusetts is one of six states in which all the area encompassed within state boundaries is located in some municipality. The others are Indiana, New Hampshire, New Jersey, Pennsylvania, and Rhode Island.

Another difference is that powers granted the cities and towns of Massachusetts are generally more extensive. This is particularly true of publiceducation, which is part of and not separated from city or town government.

Finally, and perhaps most importantly, the city or town governments are the only major taxing authorities other than the state. With the exception of some small fire, water, or other special districts which levy their own taxes, each city or town is assessed for the costs of other units of government--county, regional school districts, metropolitan district, transportation or other special district which it is a part. Of the 682 separate units of government enumerated by the federal census of governments in Massachusetts in 1972, only 482 depend on collecting their own taxes--the 351 cities and towns and 131 special districts. This is in decided contrast to the national picture.

## State, County and Other Assessments

Initially, the revenues needed to finance the costs of the Plymouth and Massachusetts Bay Colonies were obtained through a tax levied directly on the total estates of individuals equivalent to the modern property tax on real estate and personal property. But with early establishment of separate town governments, a new manner of financing the expenses of the central

colonial governments emerged. Instead of a tax being levied directly on the estates of individuals the total costs of the central government were divided among the various towns according to the actual or "equalized" value of all estates in each town in relation to the total of all estates in each colony. Each town then levied a tax on the estates of individuals sufficient to pay its own costs and its share of the costs of the central government. With statehood, this charge on the towns became known as the "state tax"; and, even after the state had developed its own source of revenue, the amount required each fiscal year to balance the state budget was assessed against the cities and towns until 1946.

With the establishment of county government in the colonies, the costs of each county were levied on the towns located therein in a similar manner and the amounts to be raised came to be known as the "county tax," although it was levied and collected by the town. And in more recent times, as new levels of government, such as the Metropolitan District Commission, the Massachusetts Bay Transportation Authority, and other special purpose areas or districts, were superimposed on the town structure, all or part of their costs were in turn charged to the local governments.

Assessments currently levied against the cities and towns are of three types: (1) those for which the amount due is determined in whole or in part on the "state tax apportionment basis"; (2) those for which the amount due is determined by a formula designed for the particular district, authority or program; and (3) those for which the amount due is a charge for services rendered or costs incurred by the state.

Assessments determined solely on the "state tax apportionment basis" are: the state tax, if one is levied for the year by the General Court; the county expenses of the Boston Metropolitan District; and debt service for the Metropolitan Parks District maintenance; state recreation areas outside the Metropolitan Parks District; and all Air Pollution Control Districts.

This group accounts for the major portion of all assessments and this fact underscores the importance of the so-called "state tax apportionment basis." The apportionment is based on the fair cash value of all property subject to taxation in each town in the Commonwealth as reported in the equalization and apportionment required to be filed biennially by the State Tax Commission (G.L. c. 58, s. 10C). Until recently, the law required the report of the State Tax Commission to be adopted by the General Court and the last apportionment to be so adopted was in 1963 (c. 660), and it, in turn, was based 75% on the last apportionment adopted prior to that time (c. 559 1945) and 25% on the apportionment submitted by the Commission in 1961. In other words, it was based 75% on the equalized valuations in 1945 and 25% on the equalized valuations in 1961. Out-of-date at the time it was enacted, the apportionment caused no small degree of concern among the Massachusetts citizenry. In fact, it almost took a court case to change it.

However, the requirement that the "adopted" equalization be used as the basis of apportioning these assessments was removed in 1974 (St. 1974, c. 492). Thus as of fiscal 1975, the equalization and apportionment as reported biennially by the State Tax Commission is to be used as the basis of this type of assessment.

Assessments which are based on specific formulas are those for the Massachusetts Bay Transportation Authority; mosquito control projects; Metropolitan Area Planning Council; Old Colony Planning Council; and the Ipswich River Watershed District.

Those which are charges for services rendered or costs incurred by the state are: Metropolitan District Commission water and sewerage; state audit of municipal accounts; state examination of retirement system; health insurance, governmental retiree program; motor vehicle excise tax bills; state assessment system; and shellfish purification plants and special education.

In addition to these assessments which appear on the "Cherry Sheet," there are certain other assessments which, as stated earlier, do not. Special districts, such as regional school districts, levy their own assessments on member communities which must in turn include such assessments in the amount to be raised by taxation. Fire, water, sewer, and similar districts are authorized by the special acts which create them to levy taxes at their own rates, to be collected by the member communities.

A summary of the "Cherry Sheet" assessment estimates for 1949-1972 calendar years and the fiscal years through 1978 is shown in Table I.

## State Aid Distributions and Reimbursements

### Replacement of Local Taxes

Along with the development of the method by which cities and towns in Massachusetts actually collect property taxes to pay the costs of other levels of government, changes were taking place in the manner of levying the property tax itself. With the introduction in the middle of the nineteenth century of the corporate franchise tax levied by the state, a share of the proceeds was returned to the cities and towns as replacement for the property tax which prior to that time had been levied locally on the shares of the corporations. Similarly, when manufacturing machinery was exempted from the local property tax and made subject to a state levied tax at a lower rate, the proceeds were returned to the localities as a replacement for the property tax lost.

Perhaps the most important change in the property tax occurred with the adoption of the amendment to the Constitution which permitted the state to levy the personal income tax as a replacement for the local tax on intangible property and on a person's ability to earn income. This tax was also returned to the cities and towns.

These distributions of state levied and collected corporation and income taxes, therefore, could not in any sense be termed state aid. They were in a real sense simply replacements for taxes which the localities would otherwise have received. Even the initial school aid formulas called for their financing from income tax sources which the cities and towns would have received in any case and amounted actually to a redistribution of these funds.

TABLE I

SUMMARY OF CHERRY SHEET ASSESSMENTS

1949 - 1978

(millions of dollars)

| Year | Total | County Tax | MDC | MBTA* | Other |
|---|---|---|---|---|---|
| 1949 | $ 31.6 | $ 12.1 | $ 6.4 | $ 9.4 | $ 3.8 |
| 1950 | 29.9 | 15.1 | 7.9 | 2.5 | 4.3 |
| 1951 | 28.4 | 14.5 | 7.9 | 1.5 | 4.5 |
| 1952 | 36.6 | 15.5 | 9.8 | 6.1 | 5.1 |
| 1953 | 37.9 | 15.0 | 9.3 | 8.6 | 5.1 |
| 1954 | 42.2 | 15.1 | 11.4 | 8.4 | 7.3 |
| 1955 | 40.3 | 15.0 | 11.9 | 7.3 | 6.2 |
| 1956 | 44.9 | 18.2 | 13.3 | 7.6 | 5.8 |
| 1957 | 49.2 | 19.2 | 14.1 | 9.3 | 6.5 |
| 1958 | 58.5 | 23.0 | 15.5 | 12.5 | 7.5 |
| 1959 | 66.2 | 24.1 | 15.8 | 16.9 | 9.3 |
| 1960 | 67.2 | 22.6 | 17.5 | 19.6 | 7.5 |
| 1961 | 75.7 | 25.4 | 18.3 | 22.6 | 9.4 |
| 1962 | 77.8 | 26.4 | 20.9 | 21.6 | 8.9 |
| 1963 | 78.0 | 27.4 | 23.8 | 17.4 | 9.4 |
| 1964 | 80.3 | 29.1 | 25.0 | 19.1 | 7.1 |
| 1965 | 79.1 | 31.4 | 27.6 | 13.0 | 8.1 |
| 1966 | 86.3 | 32.5 | 28.1 | 18.8 | 6.9 |
| 1967 | 104.8 | 42.8 | 31.9 | 21.5 | 8.7 |
| 1968 | 107.4 | 40.9 | 32.8 | 25.5 | 8.2 |
| 1969 | 124.5 | 50.2 | 33.1 | 29.3 | 12.0 |
| 1970 | 141.1 | 58.0 | 36.9 | 33.4 | 12.7 |
| 1971 | 170.6 | 66.1 | 38.2 | 52.6 | 13.7 |
| 1972 | 185.1 | 68.4 | 39.8 | 63.1 | 13.8 |
| 1973-74** | 247.3 | 104.2 | 48.5 | 75.6 | 19.0 |
| 1975 | 231.1 | 91.1 | 53.2 | 55.7 | 31.1 |
| 1976 | 255.7 | 95.7 | 58.6 | 69.9 | 31.5 |
| 1977 | 262.5 | 98.5 | 59.7 | 73.0 | 31.3 |
| 1978 | 272.6 | 103.8 | 58.6 | 84.3 | 25.9 |

* MBTA through 1965. Also, amounts are net after Commonwealth Credit.
** 18 month transitional year.

Source: Department of Corporations and Taxation.

## Tax Distributions

Through 1965, specific portions of each tax were allocated to "agency" funds at the time of collection and were distributed as follows:

1. The income tax, after deduction of administrative costs and transfers for school transportation and school lunch programs, was distributed (1) as school aid, (2) as aid for special classes for the physically handicapped and mentally retarded, and (3) the balance on the state tax apportionment basis.

2. The corporation tax, after deduction of administrative costs, was distributed (1) as a $9.0 million replacement for loss of taxes on machinery which had been taxable locally and (2) the balance on the state tax apportionment basis.

In addition, portions of two other taxes were ear-marked for distribution. One-third of the meals tax was allocated to an agency fund for aiding the localities in paying their share of old age assistance costs. It was distributed proportionally to all communities on the basis of shares of total old age assistance costs. Also, an amount equivalent to two cents per package of the cigarette excise was set aside and used for transportation purposes. Part of this was distributed to communities using public transportation for transporting school students.

These distributions were shown separately on the "Cherry Sheet" and used to reduce the amounts to be raised by local taxation.

## State Aid and Reimbursement Programs

State aid in the sense of state revenue sources being used to provide additional funds for financing local government costs probably began early in this century with the first use of state funds for the construction and maintenance of local roads. Through the years, the state gradually established more and more programs to be carried out on the local level and paid a portion of their costs to the cities and towns or regional districts directly from the General Fund.

In 1965, there were educational programs for school transportation, school lunch programs, school building assistance, vocational education, special classes, school counselors, youth service, and libraries. There were public assistance programs for veterans, old age assistance, medical assistance to the aged, aid to families with dependent children, and aid to the disabled. There were other programs in the fields of public health and natural resources and reimbursements for losses of taxes on publicly owned property and certain property tax abatements to widows and veterans.

These programs were of two types primarily: (1) those for which the state paid a portion of the cost as an incentive for the locality to adopt the program, primarily in education, and (2) those for which the state paid a portion of the cost of a state-imposed but locally administrated program, primarily public assistance. Only one, school building assistance, took into consideration the community's need or ability to pay. The local receipts from these state aid programs did not appear on the "Cherry Sheet" but were estimated for purposes of reducing local taxation. For fiscal 1979, there are thirty-two reimbursement programs listed on the "Cherry Sheet".

Also, there were a few programs for locally-related costs, such as retired teachers, housing for the elderly, and housing for veterans, under which the state appropriated funds to be paid on behalf of the cities and towns.

A local Aid Fund, established in 1966 and discontinued in 1969, was divided into two major parts. The first part was made up of the entire receipts from the personal income tax, net of administrative costs, with minor exceptions; 40% of the receipts from the corporation excise; one-third of the receipts from the meals excise; and 20% of the net receipts from the sales and use taxes. Out of this part were made the "machinery basis" distribution and the appropriated reimbursements described in the next section; any balance in this part was to be distributed in proportion to the equalized valuations established by the General Court for the apportionment of state and county taxes. The second part was made up of the remaining 80% of net sales and use tax receipts, plus the annual income of the Massachusetts School Fund (G.L. c. 70, s. 3). This part was used, first, for certain special education programs for physically or mentally handicapped pupils and secondly, for the distribution of reimbursable school expenditures to the cities and towns in accordance with the school aid percentage. Any balance remaining was to be distributed to the cities and towns in accordance with the school aid percentage. But the available funds were always short of the total school entitlements under the formula.

The 1969 legislation (Acts, 1969, c. 546) abolishing the Local Aid Fund allowed its tax sources to be credited to the General Fund and provided payment of amounts for the appropriated reimbusement programs (described below) to cities and towns from the General Fund. In addition, the legislation established a total guaranteed amount ($239.6 million) to be used on a priority basis for the four historical distribution programs--machinery basis, physically handicapped and mentally retarded programs, school aid, and valuation (or state tax apportionment) basis. The total of these guaranteed distribution statutorily increases by a percentage equal to the increase in the sales tax collections. Initially, this resulted in a fully funded school aid formula and a large reduction in the outdated valuation basis distribution. Subsequent changes in the school aid formula of Chapter 70 of the General Laws so increased the amount of school aid to which the cities and towns were potentially eligible that the total possible school aid is not funded. Further, the valuation basis distribution ceased to be funded in 1972.

In 1974, legislation (Acts 1974, c.492) was enacted which significantly changed these distributions. In addition to increasing the amount of the guaranteed minimum to $396.0 million for fiscal 1975 and to $452.0 million for fiscal 1976, the legislation eliminated both the machinery and valuation basis distributions. Today there are three distribution programs--special education, school aid, and a surplus program geared to school aid. These three programs, particularly the first two, are the major items of the Cherry Sheet estimates.

Appropriated Reimbursements

With certain exceptions noted below, reimbursement of property taxes lost to the cities and towns through exemptions or abatements is made by appropriated reimbursements from the General Fund. The other appropriated reimbursements which are of general interest may be summarized as follows:

1. Veterans' benefits.
2. Education (school transportation, vocational education, retirement pensions, school construction, school lunch program racial imbalance, magnet, and equal education improvement).
3. Public libraries.
4. Urban renewal.

School Aid and Other Distributions

1) School Aid Distribution

The new Chapter 70 distributes aid for regular day, special education transitional bilingual and vocational education programs.

The aid to which a school district is entitled is determined by the following formula:

$$\text{Aid} = 1 - \text{local support percentage} \times \text{local valuation percentage} \times \text{Sum of weighted FTE pupils in current fiscal year} \times \text{Statewide average current operating expenditure per regular day pupil in previous fiscal year}$$

where:

Local support percentage - is the percentage of aidable expenditures which is to be assumed by a district with property wealth equal to the statewide average.

Local valuation percentage - is a relative measure of property wealth per person.

Sum of weighted full-time equivalent pupils in the current fiscal year - is a count of pupils which takes into account the varying costs among educational programs by assigning pupil weight cost indexes.

Statewide average current operating expenditure per regular day pupil in the previous year - is the total of expenditures for regular day program with certain exclusions, the primary being transportation costs.

A detailed illustration of the formula appears elsewhere in this document.

The equalized valuations used for determining the school aid percentage are those reported every two years by the State Tax Commission to the General Court. These equalized valuations are based on current full value for each community, determined by a continuing sales ratio study.

The amount of school aid to which a community is entitled is subject to a minimum limit of 107% of the total aid due each district as prorated at the actual funding levels appropriated during Fiscal Year 1978 under the following state aid programs:

Chapter 70

Chapter 71A, Sections 4 and 8

Chapter 71B, Section 13, first paragraph

Chapter 74, Sections 9, 10, 11 (except transportation) and 12

A minimum expenditure requirement will go into effect in the third year after the year in which the state share first reaches 35%. This minimum requirement will be set at 85% of the statewide average direct service expenditures per pupil in regular day programs in the previous fiscal year multiplied by the local sum of weighted full-time equivalent pupils in the current fiscal year.

Cigarette Excise

From part of the proceeds from four cents of the cigarette excise credited to the General Fund for transportation purposes, the cities and towns receive school transportation allowances, and those which are members of transportation districts receive reimbursements of part of their costs (G.L. c. 58, s. 25B). These payments are estimated on the Cherry Sheet.

Urban Redevelopment Corporation Excise

Each city or town is entitled to receive the proceeds of the urban redevelopment corporation excise paid on projects located in it (G.L. c. 121A, s. 10). These proceeds are estimated on the Cherry Sheet.

Highway Fund

The Highway Fund consists of all receipts from motor vehicle registration and license fees, contributions and assessments for road maintenance and construction paid to the state treasury by cities, towns, or counties; refunds and rebates made on account of road expenditures by the Department of Public Works; the receipts from the motor fuel excise on motor fuels sold in Massachusetts; and amounts received by the State Treasurer from the federal government for highway purposes (G.L. c. 90, s. 34).

1) Chapter 90 Appropriations

Among the purposes for which appropriations may be made from the Highway Fund, after those made for carrying out the legal provisions on the use and operation of motor vehicles and for administration of the motor fuel excises, are the maintenance and construction of town and county highways, in conjunction with funds appropriated by the towns and counties.

2) Chapter 81 Appropriations

Smaller towns are entitled to expend amounts appropriated by the General Court for the repair and improvement of public ways (G.L. c. 81, s. 26). Entitlement is limited to towns having total assessed valuations of less than five million dollars under the 1945 state tax apportionment ratios and having mileage ratios (the town's share of each million dollars of state tax, divided by the number of miles of public ways in the town) of less than $12.00.

Such expenditures cannot exceed $250 per mile, and are conditioned on the town's contributing for each mile of public ways in town, an amount depending upon the mileage ratio in accordance with the following table:

| | Mileage Ratio | Contribution |
|---|---|---|
| 1. | $0.00 - $ 1.40 | $ 15 |
| 2. | 1.40 - 2.00 | 25 |
| 3. | 2.00 - 2.80 | 40 |
| 4. | 2.80 - 3.50 | 50 |
| 5. | 3.50 - 5.50 | 75 |
| 6. | 5.50 - 7.00 | 100 |
| 7. | 7.00 - 9.00 | 125 |
| 8. | 9.00 - 12.00 | 150 |

Snow removal costs may be paid from these appropriations and contributions at the rate of 75 cents per mile.

The county commissioners may expend county funds for the repair or improvement of public ways in qualified towns under the conditions described (G.L. c. 81, s. 26A).

3) Special Highway Fund Reimbursements

In 1971, a third highway aid program was enacted (Acts, 1971, c. 497). The motor fuels excise was increased one cent with the proceeds specifically set aside for reimbursements to cities and towns for highway construction and maintenance. The formula for determining the amount of highway aid which can be expressed as follows:

| Highway Aid | = | Basic Mileage Allowance | + | Road Use Allowance | - | Equalizing Deduction | X | Local Road Mileage |
|---|---|---|---|---|---|---|---|---|

Using, the specific dollar amounts in the statute, the formula would appear as follows:

$$\text{Highway Aid} = \$400 + \$7\left(\frac{\text{Number of vehicles}}{\text{Local Road Mileage}}\right) - \$.10\left(\frac{\text{Thousands of eq. val.}}{\text{Local Road Mileage}}\right) \times \text{Local Road Mileage}$$

The amount of aid for each city and town is determined and a total for all cities and towns obtained. Each city and town then receives, on a semi-annua basis, its proportion of the total funds available from one cent of the motor fuels excise. The first payment is made by December thirty-first, and the s second by June thirtieth of each fiscal year.

Lottery and Beano Distribution

The legislation which established the State Lottery (Acts 1971, c. 813) provided that there be created a Local Aid Fund and that the proceeds from the Lottery, after payment of prizes and administration costs, be credited to such fund for distribution to the cities and towns. Further, in 1974 the proceeds from beano games, after payment of prizes, administrative expenses, and the General Fund portion, were put into the Local Aid Fund as well (Acts 1974, c. 492). Originally, such beano proceeds were distributed to cities and towns in which the games were held.

The formula for distributing such proceeds is based on an average grant across the state of ten dollars per capita; however, the amount per capita to any one city or town would be increased or decreased according to how that community's equalized valuation per capita compares to the equalized valuation per capita in the state. The poorer community would receive a larger grant and the wealthier community, a smaller one. The formula for computing the aid for each city or town is as follows:

$$\text{Local Aid} = \left(\frac{\text{State Eq. Val. per capita}}{\text{Local Eq. Val. per capita}}\right) \times \$10 \times \text{Local Population}$$

Each community's local aid amount would be determined and a total for all communities would be obtained. Each community would then receive, on a semi-annual basis, its proportionate share of the amount available in the fund at the time of distribution. Distributions are made on or before December thirty-first and June thirtieth of each fiscal year.

Other Reimbursements of Local Expenses

The following is a partial list of local expenditures for which total or partial state reimbursement is authorized:

1. Airport construction (G.L. c. 90, ss. 39, 39C, 39F, 39G).
2. Land reclamation to promote public health (G.L. c. 252, s. 8).
3. Water shed protection (federal funds) (G.L. c. 21, ss. 12-15).
4. Water pollution control (G.L. c. 21, s. 37).
5. Forest fire prevention and control (limited to towns having a total valuation not exceeding $1.75 million) (G.L. c. 40, s. 11; c. 48, ss. 24, 28).
6. Expenses of regional health districts (G.L. c. 111, s. 27C).
7. Compensation for animal inspectors (limited to towns having a total valuation of less than $2.5 million dollars) (G.L. c. 129, s. 17).

Appropriations are made from various state funds for numerous local projects, but the expenditures are made directly and not channeled through the local governments. Examples are payments for local projects from the Marine Fisheries Fund (G.L. c. 130, s. 2A) and from the Mosquito and Greenhead Fly Control (G.L. c. 252, ss. 5A and 24), and numerous health and welfare services provided locally at state expense.

Data on Distributions and Reimbursements

Because of the many structural changes which have been made in local aid since 1965, it is difficult to compile comparable data for the years before that. But Table 2 clearly shows the very marked increase in school aid from 1965 through the 1975 fiscal year. The effect of the 1969 change in order of priority between the school aid distribution and the valuation basis distribution is evident in that there are no distributions on the valuation

basis after 1971. The decline in appropriated reimbursements immediately after 1968 results from the transfer of responsibility for welfare payments from the cities and towns to the state. However, the total of such reimbursements have increased in recent years due to increased educational reimbursements.

Highway Fund distributions for Chapter 81 and 91 reimbursements to the cities and towns are summarized in Table 3 for fiscal years 1956-1976.

TABLE 2.

SUMMARY OF DISTRIBUTIONS AND REIMBURSEMENTS TO CITIES AND TOWNS
FOR CALENDAR YEARS 1965-1972, AND FISCAL YEARS 1974- 1978.
(millions of dollars)

| | 1965 | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973-74 | 1975 | 1976 | 1977 | 1978* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Tax distribution programs: | | | | | | | | | | | | | |
| Machinery basis | $ 9.0 | $ 9.0 | $ 9.0 | $ 9.0 | $ 9.0 | $ 9.0 | $ 9.0 | $ 9.0 | $ 18.0 | $ - | $ - | $ - | $ - |
| Special education** | 6.2 | 7.1 | 8.1 | 9.6 | 12.0 | 13.4 | 17.0 | 22.5 | 30.8 | 42.3 | 39.4 | 93.1 | 176.7 |
| School aid | 40.1 | 56.2 | 97.2 | 111.4 | 114.4 | 204.3 | 220.7 | 283.1 | 461.2 | 352.3 | 384.7 | 353.1 | 265.6 |
| Valuation basis | 73.5 | 91.1 | 167.6 | 122.6 | 103.7 | 28.3 | 37.5 | - | - | - | - | - | - |
| Other | 4.3 | 5.0 | 5.3 | 2.8 | - | - | 1.0 | 13.8 | 7.9 | 21.4 | 18.5 | - | 20.1 |
| Sub-total** | $133.1 | $168.4 | $288.2 | $255.4 | $239.1 | $255.0 | $285.2 | $328.4 | $517.9 | $416.0 | $442.6 | $446.2 | $462.4 |
| Appropriated reimbursements: | | | | | | | | | | | | | |
| Education (12 programs)*** | $ 48.4 | $ 46.6 | $ 41.3 | $ 43.0 | $ 61.7 | $ 75.0 | $104.4 | $111.2 | $144.1 | $199.6 | $222.0 | $177.3 | $166.8 |
| Welfare (6 programs) | 63.2 | 94.1 | 76.1 | 89.7 | 15.4 | 1.7 | 0.9 | 0.7 | 3.7 | - | - | - | - |
| Other | 13.8 | 16.7 | 12.9 | 17.9 | 22.6 | 22.7 | 14.9 | 37.1 | 45.7 | 43.2 | 40.4 | 61.0 | 46.1 |
| Sub-total**** | $125.4 | $157.4 | $130.3 | $150.6 | $ 99.7 | $ 99.4 | $120.2 | $149.0 | $193.5 | $242.8 | $262.4 | $238.3 | $212.9 |
| Other distributions: | | | | | | | | | | | | | |
| Special highway fund | $ - | $ - | $ - | $ - | $ - | $ 15.0 | $ - | $ 23.5 | $ 25.1 | $ 35.7 | $ 25.5 | $ 25.2 | $ 25.1 |
| Cigarette exercise | 1.9 | 2.1 | 2.1 | 2.4 | 1.7 | 1.8 | 1.9 | 2.0 | 2.3 | 1.8 | 1.0 | 1.3 | - |
| Urban redevelopment | 0.6 | 1.0 | 1.5 | 1.9 | 2.4 | 2.6 | 4.2 | 5.2 | 13.6 | 6.6 | 8.7 | 9.1 | 11.0 |
| Local aid fund (lottery, etc.) | - | - | - | - | - | - | - | 21.9 | 32.6 | 54.8 | 37.0 | 40.0 | 85.6 |
| Sub-total | $ 2.5 | $ 3.1 | $ 3.6 | $ 4.3 | $ 4.1 | $ 19.4 | $ 6.1 | $ 52.6 | $ 73.6 | $ 98.9 | $ 72.2 | $ 75.6 | $121.7 |
| Total | $261.0 | $328.9 | $422.1 | $410.3 | $342.9 | $373.8 | $411.5 | $530.0 | $785.0 | $757.7 | $777.1 | $760.1 | $797.0 |

Notes: Actual amounts for programs detailed and estimated on Cherry Sheets, except 1965 figures. Reimbursements were not included in Cherry Sheet in 1965. All payments (except "other distributions") are now made from the General Fund; from 1966 through fiscal 1969 they were made from the Local Aid Fund. Estimates shown on 1973-74 "Cherry Sheet" are for eighteen month transitional fiscal period. For comparative purposes, actual total for calendar 1973 was $545.7 million. Does not include Chapter 81 and 90 and certain other highway aid.

* Includes adjustments for prior years.

** Excludes special education program payments to regions. Includes transitional bilingual education.

*** Regional School District Aid payments made directly to regions starting in 1976, $22.5; 1977, $23.7; 1978, $25.0

**** Includes overdue prior year payments: 1966, $28.3; 1975, $36.6; 1976, $54.9 (of which Education = $53.4).

Source: Department of Corporations and Taxation.

TABLE 3

CHAPTERS 81 AND 90 DISTRIBUTIONS TO CITIES AND TOWNS FROM HIGHWAY FUND FOR FISCAL YEARS 1956-1973

| Year | Total | Chapter 90 projects | Chapter 81 projects | Other |
|---|---|---|---|---|
| 1956 | $6,819,976 | $4,279,916 | $2,540,060 | |
| 1957 | 7,992,458 | 5,364,084 | 2,628,374 | |
| 1958 | 9,419,272 | 6,828,202 | 2,591,070 | |
| 1959 | 8,764,637 | 6,144,707 | 2,619,930 | |
| 1960 | 7,651,092 | 5,024,882 | 2,626,210 | |
| 1961 | 7,723,362 | 5,095,940 | 2,627,422 | |
| 1962 | 8,164,378 | 5,512,713 | 2,651,665 | |
| 1963 | 8,594,214 | 5,740,566 | 2,630,448 | $223,200 |
| 1964 | 8,611,624 | 5,938,431 | 2,673,193 | |
| 1965 | 8,848,414 | 6,208,031 | 2,640,383 | |
| 1966 | 8,492,835 | 5,763,197 | 2,654,638 | 75,000 |
| 1967 | 8,153,048 | 5,437,795 | 2,715,253 | |
| 1968 | 8,057,753 | 5,436,855 | 2,620,898 | |
| 1969 | 9,441,918 | 6,771,242 | 2,624,930 | 45,746 |
| 1970 | 9,743,500 | 6,859,049 | 2,861,885 | 22,566 |
| 1971 | 11,319,427 | 7,710,706 | 2,700,955 | 907,766 |
| 1972 | 9,550,835 | 6,775,242 | 2,775,593 | |
| 1973 | 8,324,820 | 5,752,174 | 2,572,646 | 14,605 |
| 1974 | 9,081,275 | 6,025,591 | 2,834,864 | 220,824 |
| 1975 | 19,251,474 | 5,440,535 | 2,338,694 | 11,472,245 |
| 1976 | 15,145,463 | 3,335,342 | 381,104 | 11,429,017 |

Source: Massachusetts Financial Report (Highway Fund appropriations and expenditures).

# 4.00 PROPERTY TAXATION *

## 4.01 Introduction

This Handbook is meant for finance committee members, not assessors or collectors or treasurers. This chapter sketches only the little that finance committee members ought to know about municipal taxation. State taxation and grants are tackled in the following chapter. Since the finance committee works its wonders primarily to keep the municipal property taxes within reason, it should have a feel for the mechanics of assessing and collecting them.

## 4.02 Assessments

Theoretically, on January 1, of each year the assessors examine every property in the town and assess it at its full and fair cash value. In practice, assessments are apt to stay the same for a number of years until there is a revaluation of the whole town or until properties are sold. It is required that the price for real property be stated in the deed. Also even a second grader can compute the sale price from the Massachusetts documentary stamps on the deed. Assessments are usually highest for properties which have been sold in recent years, giving a distinct benefit to those who have lived in town a long while. Modern assessment techniques should be employed so that all properties are assessed at or near their correct values. This has been a serious problem in the Commonwealth and most other states for a century. Many are making a valiant effort to bring assessments up to fair value since most use equalized valuation figures for state grants and county taxes.

## 4.03 What is Not Locally Assessed

All property is supposedly subject to taxation except personal property of non-residents which is only temporarily in this state. In some instances mortgages or leaseholds can be taxed. Real estate of the Commonwealth or of a municipality which is not used for a public purpose may be taxed. Telephone and telegraph company property is assessed by the Commonwealth. Property owned by charities and other governments are exempt along with either a dollar figure deducted from the assessment or from the tax to certain poor and elderly persons. Property installed to limit pollution is exempt.

(1978 SUPPL) Private solid waste resource recovery buildings (not transfer stations) pay $1. per ton in lieu of taxes on the structures. Solar or wind powered systems are exempt.

## 4.04 Methods of Assessments

The assessors must use standard books and their entries are public records. Some towns require assessments to be published every few years. This tends to prevent inequalities among persons with similar property. The books should contain exempt property with its valuation to

*Massachusetts Finance Committee Handbook by Stuart DeBard, 1975 Edition, with additional copy from the 1978 Supplement.

tell the voters what property is getting a free ride. The lists make sure that nobody has been omitted. They should be published with street addresses instead of block numbers and both land and building valuations. Abatements should be published, too.

4.05 Appeals from Assessments

The assessors are not always right! A taxpayer may within a short period from receiving his tax bill apply for an abatement. If there is no relief before the assessors, he may appeal to the Board of Tax Appeals and then to the Supreme Judicial Court.

4.06 Assessments of Special Kinds of Property

Farmers can pay taxes on assessments based on the value of the land for farming.

Certified forest land is assessed only on the value of the timber which is cut from it. Automobiles are assessed at a figure shown on a "blue book" of used car prices. The tax bills are prepared by the Registry of Motor Vehicles at an average tax rate throughout the Commonwealth, ($66. per $1,000 in 1974). The bills are sent out by the towns and the taxes paid are retained by the town.

4.07 Personal Property

Technically all personal property is subject to taxation subject to an exemption of $5,000. for household furniture and effects including jewelry, TV sets and the like. Boats are exempt only if used in a business. Some towns omit assessment on boats to increase the yachting trade. Boston taxes office furniture of commuters to improve its poor position on the tax scale. House trailers pay $6./$1,000/month.

4.08 The Tax Levy

There are two tax rates - the school rate and the general rate. They appear on the same tax bill and are lumped for payment. A good finance committee should be able to estimate the aggregate tax rate within a few dimes on information available to it. (Ch. 59, Sec. 23) The tax rate is computed by adding:

(1) All amounts appropriated, granted or lawfully expended... since the "last preceding annual assessment"..., all amounts required by law to be raised by taxation (i.e. appropriations) ...debt and interest charges (if not appropriated),...judgments...abatements over the overlay, (omitting borrowings) less

(2) These deductions:

(a) Estimated receipts excluding highway finds, loans and taxes but including the excise tax on automobiles and the amount due from the state as shown on the Cherry sheet,

(b) Appropriations from available funds for the purpose of deduction and

(c) All other appropriations voted from available funds.

(1978 SUPPL) Estimated receipts is to include reimbursements expected for Ch. 766 (Ch. 71B) expense.

4.09 The Overlay and The Overlay Reserve

In addition to the above amounts the assessors may include an amount, no larger than 5% of the tax levy, as a cushion to take care of breakage - so that the rate will come out to an even cent per thousand - and

for non-collection of taxes. Whatever is not used in the overlay passes into the overlay reserve - (3.11)

Even though such things as judgments against the town, industrial accident board awards and county hospital charges will be automatically added to a tax levy without appropriation, (3.23) it is better to appropriate for every known liability at town meeting. For example, if bonds coming due are not included in the budget, someone, even including the finance committee, may obtain a false picture as to what the tax bill will look like and get reckless with appropriations.

4.10 Collecting the Tax

The tax bill should be in the mail by June 14th. If the assessment is changed, the bill should so notify the taxpayer. (Ch. 60, Sec. 3A) It is payable July 1 but the collection, by the collector (the assessors have no further control over it unless abatements have been applied for), is on a staggered basis. The first half of the tax plus all of the betterments bears interest at 8% unless it is paid by November 1 but computed from October 1. The balance of the tax bill goes on interest May 1 computed from April 1. On February 1 notices are sent out showing the amount of tax which will go on interest on May 1st. (12.03)

Unless the April taxes are actually in hand by June 30th they can't be counted for certified Free Cash.

(1978 SUPPL) Certain tax anticipation notes can be used like cash to pay real estate taxes. (Ch.44, Sec. 4A). Interest on unpaid taxes is 10% and is 12% for tax takings.

4.11 The Free Ride Problem

Inherent in the January 1st tax assessment system is what happens between January 2nd and December 31st. Most properties have only a little value until they are ready for occupancy so that a house which is completed in February will have nearly a free ride that year for assessments, or if the tax is considered as "earned" during the period for which it is levied until a year from June 30th. A 70 year old person who owns a house on January 1st and the person who buys it get a year's exception on the first $4,000. of value even though it is sold on January 2nd. Before the fiscal year change the gap was not so long. With computer assistance, if the law is changed, assessors should be able to handle assessments on a current basis. Possibly the assessment date will be changed.

4.12 Special Assessment Dates

See regional school district budgets (91.3)

Assessments for maintenance of county hospitals are made in May so that they can be included in the tax bills due out by June 14th. They will seldom be ready for town meeting appropriation. The town accountant must notify the assessors by May 1st in each year what debt will be coming due in the next fiscal year.

4.13 The State and County Tax

Until the mid-forties, towns collected a property tax which had to be sent to the State. While this is still in the books, there have been generally net payments from State collected income tax and sales taxes to the towns, not the other way around.

The expenses of courts, jails, and other county responsibilities except hospitals are submitted to the county commissioners by the head of

each institution by December 15th itemizing anything over $1,000. They add a receipt estimate and a "statement of corresponding appropriations" for four years "explaining any difference." One of the selectmen of each town sits on a county advisory board and his vote is weighted to show his town's proportion of the total county assessment. This board meets and makes recommendations to the Director of Accounts and to the county commissioners, very like a finance committee. The board may meet as a group or by an executive board including half of the total vote. The budget is actually adopted by the Legislature and the town's share, called the County Tax, is withheld in the Cherry Sheet. (5.15)

(1978 SUPPL) Now the State funds the courts instead of the counties. A tax reform group of municipal types (such as the author and Dave Benjamin) are trying (a) to get staff for the volunteer county advisory boards who do a job like finance committees, (b) give them either a veto or more power over county budgets and (c) even provide for a separately billed county tax structure. Massachusetts is one of only four states where county budgets are the State's baby.

4.14 Efforts at Tax Reform

The author is co-counsel for Sudbury and others in a suit in the Supreme Judicial Court against the Commissioner of Corporations to require him to see to it that local assessors obey the oath of office. It is anticipated that the suit and changes in legislation will soon force fair assessments throughout the Commonwealth so that all municipalities will receive an equalized and proper State grants and pay a fair amount of the county tax. Property tax reform has many other aspects but proper assessment is a prerequisite. Two states have taken over the entire assessing function but that is a poor way to proceed. Probably appointed, professionally trained assessors are in the cards.

(1978 SUPPL) The opinion of the Supreme Judicial Court was as predicted. The Tax Commission will soon report a second time to the Court as to enforcement of full valuation assessment.

121 towns have come to 100% since 1972 and 112 will achieve it by F.Y. 1979. This will be 73.6%. It includes three cities complete and a number under court order. The Commission will ask the Court if it has power to contract for revaluation of a stubborn town and deduct the cost from its Cherry Sheet. (The author believes that it does not now have that power.)

The Legislature has allowed assessors to capitalize the presumed rent of residential property - an act of very dubious constitutionality. The Commissioner does not insist on revaluation if the cards and maps are in good shape. He stresses enough paid help to keep a revaluation current. Compliance will cut down the drain of excessive exemptions and do equity for most taxpayers. A constitutional amendment is likely to pass in November 1978 permitting residences, business, industry and open land to be taxed at different percentages of full and fair value. (4.17)(5.17)

4.15 Exemptions

A disturbing trend is the willingness of the Legislature to grant exemptions from real property taxation to the elderly, most veterans, veteran groups, many municipal employees and many regardless of need (Ch. 59, Sec. 5, 10th-40th). Now any person 65 or older who has lived in the State, and who got less than 20 grand last year can defer all his taxes until the death of himself and his wife, with 8% interest. Joint owners and mortgagee

banks have to agree to it. The town, on a 2/3 vote, may borrow for three years to offset the taxes lost by the new act. (Ch. 59, Sec. 5, 41st A) The town's lien is only up to 50% of the value; the town aborbs the rest.

Agriculture land, in hunks of at least five acres which produced $500. per year for two years, can be taxed as raw land. If sold within ten years, there is a "conveyance tax" of 10% to 1%. If it fails to qualify, five years taxes are collected. The town gets a first refusal. (Ch. 61A)

4.16 State Assessment System

For a small hourly charge a number of towns get assistance for their assessors through the adoption of the State assessment system (Ch. 58, Sec. 7A) which may be rescinded. The Bureau of Local Assessment will help the town with a mapping or revaluation program, will furnish experts in appraising utilities, shopping centers and other difficult projects, will check assessment procedures and will modernize office procedures. This program has not, however, been growing recently.

4.17 Equalized Valuations

Even with assessment improvement, there will be variations from full and fair cash value. The Tax Commission each even year makes studies and comes up with an equalized tax list, municipality by municipality. As of 1959, only two towns were at full and fair cash value and the median was around 30%. Now around 60% of municipalities have increased assessments close to what they should be and these changed only a little on the equalized list. Equalized valuations certified by the Commissioners are used rather than the assessor's figures in state statutes giving authority to incur debt and the like, in assessments for county taxes and for grants to municipalities. It should be a matter of pride to a town that its equalized value is very close to the actual values of assessors. (11.09)

4.18 Present Assessing Problems

Many people mistakingly believe that they are getting a break with poor assessing and are willing to live with it. Politicians and big landowners often conspire to pressure assessors to grant "breaks". Most raw land is underassessed by up to 100%. By taxing it at full value and taxing buildings, after an adequate allowance for depreciation (or at least taxing buildings no more by percentage than land), tax revenue is found and good development is produced.

If all property - idle and developed - were taxed at the percentage of the group bearing the highest tax, nearly twice the revenue would be produced. Now the tax levy is constrained by the screams of the top 25% who are relatively badly overassessed so the bottom 75% pay less than their fair share.

More money should be spent for assessors' salaries, computers, schools and a regionwide set of supervisors.

Publishing assessment lists, reappraisal reports, changes in them, and the results of abatements and appeals can do wonders for unfair or corrupt assessments.

4.19 Professional Revaluation

The assessing problem has been solved temporarily in a number of towns by employing outside professional assessing companies to revalue the town. These concerns usually produce maps and cards containing lots of data

on each property. Their recommendations are advisory to the assessors and some towns have paid for revaluations but have not put them into effect. Such contracts may be paid for over a two year period. Other towns engage a professional assistant to the assessors who can do the job singlehanded over a two or three year period. The assessors have to put their necks out under either plan.

Towns would be well advised to accept Ch. 59, Sec. 21A which permits an extra payment of 10% of regular compensation up to $500. for a part time assessor and one thousand dollars for a full time assessor if he completes special courses and becomes a "certified Massachusetts assessor". There is much to gain in having competent assessors.

Legislation is pending to authorize groups of towns to form assessing districts and for the appointment, training, certification and tenure of assessors. A larger State and regional supervisory staff is needed to help assessors know their jobs and to resist local pressures.

## 5.00 STATE TAXES AND GRANTS

### 5.01 Introduction

This chapter will tell how the Commonwealth gets money from its taxpayers and how it returns some of it to municipalities. School grants are discussed in Ch. 9.00. The system of grants has grown like Topsy and there is much wrong with it despite improvements in 1974.

### 5.02 The Massachusetts Tax Bite

According to "Massachusetts Tax Primer," 1973 Edition, (Massachusetts Taxpayer's Foundation), of $30.3 billion earned in Massachusetts, Uncle Sam, the State and municipalities took $11.4 billion leaving 62% or $18.9 billion to be spent by the citizens. Massachusetts was sixth nationwide for per capita taxes at $549. but is was only 14th in proportion of taxes to personal income. It ranked 46th in expenditure for higher education (being blessed with a number of private institutions) but ranked third for fire protection and public welfare, health and hospital and police. It raised little from assessments for services, tuitions, fees and the like.

It was 7th in its reliance on the local property tax and fourth lowest in the amount of state aid given. Massachusetts property taxes exceed the national growth rate but business carried only an average tax load. Electric utilities and insurance taxes, however, are heavy. Unemployment taxes are especially burdensome. The sales tax is one of the very smallest of any state so that it produces only 5% of total taxes levied compared with 19% for the average state. Property taxes in Massachusetts were 56% of the combined taxes levied by State and municipalities compared to 40% in the average state.

Excise taxes are higher on cars and lower on trucks.

(1978 SUPPL) The sales tax has been broadened and the rate increased. The income and a few excise taxes have gone up. Since, however, local aid will not get even the increases in tax collections caused by inflation, the already overburdened property tax will have to go up unless costs are cut. Statewide property taxes have increased 25% in two years.

### 5.03 The Pattern of Government

Massachusetts differs from most states in the fact that the

cities and towns have a great number of powers which, in other states, are divided among special districts. In Massachusetts, towns control schools as well as many other functions. Only the 351 cities and towns and 81 special districts have the power to levy taxes. The cost of county government, the Metropolitan District Commission, the MBTA and other special purpose districts are charged to the towns. Assessments levied against towns are of three types. (1) Those determined on the "State Tax Apportionment Basis", (2) those designed by a particular district, authority or program and (3) those which are reimbursement for services rendered by the State.

Under the first class are the state tax, if one is levied, the county tax, county hospitals, Metropolitan District Commission charges, and a number of others. Recently there has been no distribution on the valuation formula.

Among charges for services rendered are water, sewerage, audit service, health insurance, excise tax bills and others. Regional school charges are assessed. Fire, water, sewer and similar districts are authorized to levy taxes at their own rates to be collected by the member communities.

5.04 The Growth of State Taxes

The Corporate Franchise Tax levied by the State is returned in part to towns to replace property taxes on corporations. The personal income tax is mostly returned to the towns. These were replacements for money which the towns would have had in any event. The corporation tax after deduction of administrative cost is distributed as a $9 million replacement for loss of taxes on machinery which had been taxable locally, and the balance if any on the State tax apportionment basis.

5.05 Appropriated Reimbursements

Among appropriated reimbursements are veterans benefits, conservation, public libraries, urban renewal, school transportation, education of special students, retirement pensions, school construction and school lunch programs.

5.06 Special Education Distribution

Under Chapter 766, for handicapped students there will be heavy municipal expense. The sums over the average cost of education of a child in that community will be reimbursed by the State, out of monies which would otherwise be paid under Chapter 70, School Aid. $26 million will be advanced in 1975 from sums due after that.

Any balance remaining in the available funds after the machinery, special education and school aid distributions is distributed on the State tax apportionment basis but, beginning in 1972, there has been no balance.

5.07 Excise Tax Distributions

From part of the proceeds of 4¢ of the cigarette excise credited to the general fund for transportation purposes, municipalities receive the school transportation allowance.

5.08 The Highway Fund

After many years, there is no longer any Chapter 81 Highway Maintenance Program and the Chapter 90 program of matching reimbursements

between the State, the counties and the towns has been modified so much that it is unrecognizable. Acts 1972, Ch. 765 granted $50 million of bond authorization to be applied through FY 1977. The amounts available to towns are already known through that year and the monies may be reimbursed to towns upon application. There is no longer any requirement that either the county or the town match any portion of the State funds. The State Department of Public Works participates in each program and must approve an expense for highway use prior to reimbursement. Many counties still have funds available for highway purpose and should be approached so long as they last.

Towns can even now expend monies allocated for fiscal years ending in 1975, 1976 and 1977. Towns can borrow in anticipation of these grants, outside the debt limit, the notes to run two years. Monies have to be appropriated unless borrowed since the State only reimburses towns. Unless notes are outstanding, the monies received go to the excess and deficiency account. In addition, Acts 1974, Ch. 325, a package transportation bill, gave a large sum to the MBTA and, as a balance, $25 million to towns outside the MBTA area which can be used in any fashion the towns wish and $20 million to be used only for highway purposes. The one cent gas increase is now permanent and the proceeds are divided among towns for highways. These acts will probably put the counties out of the highway business. Gas tax money is deducted on the Cherry Sheet so has been "spent." Ch. 1140 and Ch. 325, Sec. 1 monies have to be appropriated (and town officials must certify to the D.P.W. how much will be spent on highways.) In 1976, Ch. 825, Sec. 3 monies will be on the Cherry Sheet. Once the amount to be received is known, it can be borrowed.

(1978 SUPPL) Read Acts 1974, Ch. 825 for "325".

5.09 The Recapitulation Sheet

The assessors annually file with the Commissioner a formidable big sheet (State Form 31-5) (Hobbs & Warren 1125) to beseech his approval for a tax rate. The form has a section for amounts appropriated or to be added to the rate in any event, less certain grants. It then cranks in the County tax and State assessments plus overlay. 20 kinds of estimated receipts and available funds are shown. The total assessments and proposed tax-rate are computed. This Association will supply this blank form on request.

5.10 Miscellaneous Grants

The state lottery law has a local aid formula which distributes the net profits to towns. The formula compares the equalized valuation per capita of each town to the state average. The beano distribution is like the lottery.

Other reimbursements of local expenses are for airport construction, land reclamation to promote public health, watershed protection, water pollution control, forest fire prevention, regional health districts and animal inspectors.

The following is a summary of distributions and reimbursements to cities and towns excluding highway aid for twelve months of 1973 (in millions): Machinery basis - $18., special education $20.3, school aid $307.5, and other $5.3 (State pensions for teachers are many more millions.) The following were appropriated reimbursements, on the same basis:

education (13 programs) $96.1, welfare (6 programs) $2.4 and other - $30.4.

Also distributed were: special highway fund $25.1, cigarette excise $2.3, urban redevelopment $13.6, lottery $31.5, beano $1.1.

5.11 How the State Gets its Money

The general fund in 1975 will come (in millions) $1,932. from State taxes, from Federal sources $568. and from other State sources $209.

State appropriations will be $2,056. for state purposes and $679. for municipalities. The fiscal year 1975 budget estimates that the revenue available to the State under present taxes will increase at 8% for three years while expenditures will increase by 11% including a 10% increase in distributions to cities and towns and a 13% increase in education expense.

5.12 FY 1975 Increases

Most towns were gleeful to find increases in 1975 estimated receipts. These were belated payments of school transportation and police incentive pay items, the special education grant, and adjustment in the guaranteed amount of school aid and more from the lottery, which pays it twice a year.

There are some new assessments, such as the cost of new pupils sent to special schools.

5.13 State Aid System Changes

In 1974 the Legislature corrected at least the following aberrations in tax distribution formulae:

A. The machinery distribution is now based on up to date equalized valuations.

B. School construction grants are now at least 50% of the total cost for richer towns up to 65% for the poor towns. These include that percentage of the interest cost as well as the principal on school bonds. Regional school construction aid will range from 60% to 75%. (9.18)

C. The State agreed to pay taxes lost by towns in which it acquired land. A court held that improvements to the land, such as roads and drainage, should be included. Now reimbursement for lost taxes will be made only on the raw land valuation.

D. The bonus for entering a regional school district, once 15% of all school aid, was often a gift to some towns. Now, to restore the equalizing factor, this will be 50% for partial regional school districts and 70% for school districts with classes from kindergarten to grade 12. There is no aid for a few districts which fail to actually operate schools satisfactorily. 65% is given for vocational students over the 12th grade. (Ch. 79, Sec. 9) There is a grandfather clause. (9.13)

E. Through a typing error, 300 cities and towns failed to get their share of a formula under which $24 million is distributed under the gas tax increase. This has been corrected and uses current valuations. Boston is the chief beneficiary.

F. The State Tax apportionment formula for the most recent year (1972) will be used for county assessment rather than those of the 1945 and 1961 valuations.

G. The lottery distribution will use current equalized valuations.

H. The Local Aid Fund was increased to $396,400,000. for fiscal

1975 and $452,000,000. for fiscal 1976. Thereafter it will grow as the Sales Tax grows.

I. The order of priority of payments from the Local Aid Fund is:

| | Date of payment |
|---|---|
| a. Special education | November 20th |
| b. Ch. 70 School | 25% per quarter |
| c. Balance on State Tax Apportionment Basis | Dec. 31, June 30 |

J. State grants for shellfish have to be matched locally and open to all citizens.

K. Bicentennial grants totalling $2.5 million are likewise matched locally.

L. 50% reimbursement grants for educational T.V. - $250,000 maximum.

5.14 The Cherry Sheet

By March 1st of each year the State Tax Commission prepares and delivers to each municipality a large sheet which was once cherry colored. On the left side the Commissioner informs the town of the assessments and charges it must pay to or for other levels of government during the year, the total of which must be included in the local tax levy. On the right side the State Tax Commission estimates the funds which the city or town will receive from the State under the above programs, the total of which is used to reduce the amount which must be raised by local property taxation. There are other transfers of funds between local governments and regional school districts or special purpose districts which are local arrangements and there are a few state-aid programs such as certain kinds of highway aid which are not shown. A copy of the cherry sheet is mailed to the chairman of the finance committee. In 1973 there was an amended cherry sheet and in 1974 there will be a supplemental one to show $26 million advance reimbursement of special education aid. The following items on the cherry sheet are reserved for direct expenditure and may not be used to reduce the general town expense: school construction, school lunches, libraries, racial imbalance program and water pollution.

5.15 Payment of State Grants

State payments from the General Fund (Chap. 58, Sec. 18A) is $396.4 Million plus the annual increase on the sales tax payable March 31, and September 30.

Special Education, Chapters 69 and 71, November 20. Education, Chapter 70 - 25% each quarter, subject to pro-rata diminution.

Valuation (if used) 10% March 31, 50% June 30, 10% September 30 and 30% December 31. Lottery - December, Gas tax December, cigarette tax November 20th.

Summary of charges. The left side of the Cherry sheet includes the following: County tax, county hospital, state recreation areas, audit of municipal accounts, examination of retirement system, metropolitan parks, sewerage and water and expenses, MBTA, mosquito control, health insurance, for retirees, air pollution control, motor vehicle excise tax billing, MAPC, Old Colony Planning Council, Steamship Authority, State Assessment System, shellfish, Ipswich River Watershed. (Of course some towns do not share in these.)

(1978 SUPPL) Some statutes require local funds to be appropriated to share in a project like water pollution control. These can be in steps and can be zero if the grants will cover a whole step. If zero, the town can't borrow in anticipation of receiving funds for that step but can sign a contract. (76/77 A.G.28)

5.16 The Estimated Receipt Summary

Among the items which appear on the right side of the cherry sheet are:

A. General Fund appropriated reimbursement program:
   1. Suffolk Courthouse
   2. Veterans Benefits
   3. State owned land
   4. Abatements to Veterans
   5. Abatements to Widows
   6. In lieu of Boston Taxes
   7. School transportation
   8. Outside school transportation
   9. Deaf and blind pupils
   10. Retired teachers
   11. School construction
   12. Stabilization fund school construction
   13. School lunch
   14. Regional libraries
   15. Public libraries
   16. Vocational education
   17. Regional school district aid
   18. Racial imbalance program
   19. Natural resources-self help
   20. Water pollution
   21. Youth service board
   22. Urban renewal (U.S.)
   23. Urban renewal (not U.S.)
   24. School transportation
   25. Premature infants
   26. Animal inspector
   27. Elderly lunch program
   28. Police career incentive pay
   29. Educational TV
   30. Census
   31. Racial imbalance

B. General Fund Distributions
   1. Machinery basis
   2. Special education
   3. School aid Chapter 70
   4. Adjustment in guaranteed amount of school aid
   5. Special education extra aid

C. Agency Fund Distributions
   1. Cigarette Excise, school transportation
   2. Urban Redevelopment Corporation excise
   3. Beano

D. Highway Fund Distribution

E. Lottery

5.17 Inequities in Aid Formulas

The principal reason for low assessments in the face of the Constitution and Statutes, is that by pretending to have a low valuation, towns can get more money than they could if they honestly assessed their property. Except insofar as the state tax commission can discover and correct such assessments, the ploy works. If assessments are customarily at 100%, and if some assessments are at 110%, there will be howls. If they go much below, there will probably be no howls. The number of complaints will then tell assesors how close they are to the statutory norm. Once assessments are properly made, the necessary equities to take care of the old and impoverished. In 26 states there are "circuit-breaker" laws allowing, for example, real property taxpayers who pay more than 4% of their family income for property taxes to take the extra, up to some maximum like $500, per year, off from their state income tax. If they are really poor, the state will reimburse them the part they could not deduct from their tax returns. Unless some maxima are built into circuit-breaker laws, the property tax is shifted entirely to the state level. However, this is not the best way to take care of people on subsistance incomes. Some argue that the public good is served by forcing elderly people in large houses to move to more modest quarters. In Massachusetts the trouble is they move to Florida or northern New England! Of course the State has to find the money somewhere to replace the sums deducted from the income tax.

5.18 Inadequate School Funding

The highest courts of several states have held that the method by which the state provides an education to its citizens is unconstitutional where based largely on local property taxes. Despite the reversal of a Texas decision by the United States Supreme Court (the "Rodriguez case"), it appears that state courts can use their own constitutions to enforce proper state taxation for education. This often will require a property tax assessed by the state or assessed and collected by the municipalities and put into a large pot on a state or county basis from which it will be distributed on a weighted basis depending on age and needs of children in the various school systems. Many authorities say that up to 90% of funds spent for schools should be collected from the state as a whole (by either of the above systems), leaving the towns free to impose an additional 10% or more if they wish extra educational services. The thrust of these cases is that the central core cities, with tax rates twice as high as those in the suburbs, still cannot raise as much money per capita as the suburbs so that the cost of the education of inner city children has to be lower than those in the suburbs. Any further tax increase will simply

lead to abandonments. Those states which, like Massachusetts, have public education included as a major purpose in the state constitution will probably have to develop new tax systems for schools. There are similar arguments for the cost of other services including protection and transportation which are higher for the inner city. There is also a need to redress the imbalance between the property tax and other taxes brought in to redress the balance. This Association, though composed of towns, should not prevent needed reform in school finance which will benefit cities more. If the school finance problem is controlled, most of the other municipal problems will be twice as easy to solve.

(1978 SUPPL) The Supreme Court of Connecticut recently held that Connecticut's reliance on the property tax for school funding is unconstitutional. A bunch of Massachusetts educators and municipal types are insisting on a new educational aid formula, paid currently (not as a reimbursement), with recognition of large city costs but with hold-harmless protection for all. One scheme is to put 25% of the increase in State taxes in that pot and another 25% of that increase into a new State revenue sharing plan - which would give old cities an extra break. A constitutional court suit is being prepared. The State assumption of county courts ($15 million in F.Y.77) benefits the suburbs. The State must spend $11 million more in 1979 to pay for Medicaid patients in municipal hospitals. The maximum municipalities might get in F.Y.1979 of new money under that scheme is some $150 million. The local tax increase has been over $300 million per year so new State sales and income taxes are vital to stop the property tax spiral. The three taxes should be coordinated in a ratio of 40% for property taxes and 30% of the total of state-local taxes for the other two, as recommended a short time back by the Master Tax Commission. (The graduated income tax was <u>not</u> indespensible to that plan.)

5.19 <u>Grants to Counties</u> (1978 SUPPL)

Anti-recession fiscal assistance received by counties reduces assessments upon towns for F.Y.1978. (Ch.35, Secs.30, 31.)

CHAPTER 367 OF THE ACTS OF 1978

SECTIONS 67 THROUGH 70-O

# CHAPTER 367 OF THE ACTS OF 1978

## Sections 67 through 70-0

SECTION 67. Chapter 76 of the General Laws is hereby amended by striking out section 7, as most recently amended by chapter 579 of the acts of 1951, and inserting in place thereof the following section:-

Section 7. For the tuition in the public schools of any city, town, or regional school district of any school age child placed in foster care or group care elsewhere than in his home town by, or there kept under the control of, the department of public welfare, the commonwealth shall reimburse said city, town, or regional school district for the child's tuition each day the child is enrolled in a public elementary or secondary school. The amount of said reimbursement shall be based on the average annual per pupil cost of education in the city, town, or regional school district, as determined by the department of education.

For purposes of reimbursement under this section, every superintendent of schools shall, as part of the annual statement required to be filed with the commissioner of education under chapter seventy, report on a form provided by the department of education the number of school age children placed in foster care or group care in the city, town, or regional school district by the department of public welfare and the duration of their public school enrollment there, and shall support each such claim with appropriate documentation as required by the commissioner of education.

SECTION 68. Said chapter 76 is hereby further amended by striking out section 9, and inserting in place thereof the following section:-

Section 9. If a city or town where a school age child is placed or kept under section seven does not maintain a public high school offering four years of instruction, said school age child may, subject to section six of chapter seventy-one, attend the public high school of another city, town or regional school district, but the commonwealth shall under section seven reimburse the city or town where he is so placed or kept, for tuition paid by it on his account.

Said reimbursement shall be based on appropriate documentation filed by the superintendent of schools of said city or town, as required by the commissioner of education.

SECTION 69. Any reimbursements made under this act for any school year

shall be limited to those amounts to which the city, town, or regional school district is entitled under sections seven and nine of chapter seventy-six of the General Laws; provided, that any pupil for whom such reimbursable expenditures were originally incurred shall not be included in the computation of the school aid due said city, town, or regional school district under chapter seventy of the General Laws, nor shall such expenditures be included as reimbursable expenditures under section sixteen D of chapter seventy-one of the General Laws.

SECTION 70. Section 35 of chapter 41 of the General Laws is hereby amended by striking out the second sentence, as amended by section 3 of chapter 766 of the acts of 1972, and inserting in place thereof the following sentence:- He shall receive and take charge of all money belonging to the town, and pay over and account for the same according to the order of the town or of its authorized officers.

SECTION 70A. Section 53 of chapter 44 of the General Laws is hereby amended by striking out the first sentence, as most recently amended by section 4 of said chapter 766, and inserting in place thereof the following sentence:- All moneys received by any city, town or district officer or department, except as otherwise provided by special acts and except fees provided for by statute, shall be paid by such officers or department upon their receipt into the city, town or district treasury.

SECTION 70B. Chapter 58 of the General Laws is hereby amended by striking out section 18A, as most recently amended by section 54 of chapter 363A of the acts of 1977, and inserting in place thereof the following section:-

Section 18A. Commencing with the fiscal year ending June thirtieth, nineteen hundred and seventy-nine, and continuing in every fiscal year thereafter, the state treasurer shall, subject to appropriation and upon certification of the commission, annually distribute from the General Fund to the several cities, towns, regional school districts and independent vocational schools on or before the dates specified, to the extent that sufficient funds are available on such dates, the full amounts of school aid due the several cities, towns, regional school districts and independent vocational schools under the provisions of chapter seventy, provided, that not less than one quarter thereof shall be paid on or before September fifteenth. A second payment shall be made on or before December fifteenth, and a third payment shall be made on or before April fifteenth, and such payment, together

with the payments previously made, shall equal seventy-five per cent of the total amount due. The balance thereof shall be paid on or before June fifteenth.

If upon any date of distribution in said fiscal years the amount appropriated is insufficient to pay the full amounts of school aid due under the provisions of chapter seventy the provisions of section eleven of said chapter seventy shall be applied in determining the actual amounts to be distributed to the several cities, towns, regional school districts and independent vocational schools under said chapter.

The amounts so distributable or distibuted to the cities, towns, regional school districts and independent vocational schools under this section shall be subject to verification, correction, and adjustment by the commission in the event of any error or omission in their determination. Any adjustment which reduces or increases the amounts to which a city, town, regional school district or independent vocational school is entitled shall be taken into account in the distribution of school aid to such city, town, regional school district or independent vocational school as soon as may be after the adjustment is made and certified to the comptroller and state tax commission. No such adjustment shall be made after June thirtieth of the second fiscal year following the fiscal year in which such amounts of aid were distributed. Amounts distributable or changed in such year shall have priority over all other amounts distributed or changed in such year.

For the purpose of this section, the agricultural schools maintained by the counties of Bristol, Essex and Norfolk shall be deemed to be regional school districts.

The General Laws are hereby amended by striking out chapter 70 and inserting in place thereof the following chapter:-

CHAPTER 70.

SCHOOL FUNDS AND STATE AID FOR PUBLIC SCHOOLS.

Section 1. The purpose of the financial assistance provided by this chapter shall be to promote the equalization of educational opportunity in the public schools of the commonwealth, to reduce the reliance upon the local property tax in financing public schools, and to promote the equalization of the burden of the cost of school support to the respective cities, towns, regional school districts and independent vocational schools. Assistance provided under this chapter shall be designated as school aid.

In furtherance of such purpose, it is hereby declared to be the

legislative intent that, subject to appropriation, no city or town shall receive less in school aid in the nineteen hundred and eighty and subsequent fiscal years than was received in the nineteen hundred and seventy-nine fiscal year.

For the purposes of this chapter, the agricultural schools maintained by the counties of Bristol, Essex, and Norfolk shall be deemed to be regional school districts.

Section 2. When used in this chapter, the following words shall have the following meanings:-

"Average current operating expenditure per pupil in regular day program in the commonwealth", the sum of the total expenditures for all pupils enrolled in regular day programs in public schools in all cities, towns, regional school districts and independent vocational schools in the commonwealth during a fiscal year, as hereinafter defined, divided by the total of the sums of full-time equivalent pupils enrolled in regular day programs in all cities, towns, regional school districts and independent vocational schools during said year, as hereinafter defined.

"Average direct service expenditure per pupil in regular day program in the commonwealth", the sum of the total expenditures for all pupils enrolled in regular day programs in public schools in all cities, towns, regional school districts and independent vocational schools in the commonwealth during a fiscal year, as hereinafter defined, divided by the total of the sums of full-time equivalent pupils enrolled in regular day programs in all cities, towns, regional school districts and independent vocational schools during said year, as hereinafter defined; provided, however, that the numerator of the fraction described in this paragraph shall include expenditures for instructional services, attendance services, health services, fixed charges and food services only. Expenditures for administration, athletic and other student activities, plant operation and maintenance, capital outlays, transportation and food for food services shall not be included in the numerator of said fraction.

"Commissioner", the commissioner of education.

"Equalized valuation per person in a city or town", the equalized valuation of all property in a city or town subject to local taxation, as most recently reported by the state tax commission to the general court under section ten C of chapter fifty-eight, divided by the number of persons who reside in such city or town. In the case of a regional school district, the

equalized valuation per person shall be determined in the following manner: first the equalized valuation per person of each member municipality in the regional school district shall be multiplied by the percentage of all pupils enrolled in the regional school district who are residents of that municipality; and second, the equalized valuations per person in all member municipalities as so modified shall be summed. Independent vocational schools under the jurisdiction of a board of local or district trustees for vocational education shall be assigned the equalized valuation per person of the city or town in which they are located.

"Equalized valuation per person in the commonwealth", the equalized valuation of all property in the commonwealth subject to local taxation, as most recently reported by the state tax commission to the general court under the provisions of section ten C of chapter fifty-eight, divided by the total number of persons who reside in the commonwealth.

"Full-time equivalent pupil", the computational unit used for the purpose of determining the number of pupils enrolled in either public school or in a program approved under chapter seventy-one B and the regulations promulgated thereunder, and educated at the full or partial expense of a city, town, regional school district or independent vocational school in each of the programs described in section two A.

Such unit shall be computed as follows:

(1) a pupil enrolled full-time in only one such program shall be counted as one full-time equivalent pupil in that program; provided that a pupil enrolled in a kindergarten or preschool program which meets for a period of time each day no greater than one-half the minimum length for a school day as established by the board of education under section one G of chapter fifteen shall be counted as one-half of a full-time equivalent pupil in the program in which such pupil is enrolled;

(2) a pupil enrolled separately in two or more said programs shall be counted as a fraction of a full-time equivalent pupil in each program with each such fraction equal to the number of hours the pupil spends in each program divided by the total number of hours the pupil spends in all programs;

(3) a pupil enrolled in two or more said programs which are carried on simultaneously, and are therefore consolidated into one program, shall be counted as a full-time equivalent pupil in that one of such simultaneous programs in which the pupil is enrolled which has the highest pupil weight, as

hereinafter provided in the definition of weighted full-time equivalent pupil; and

(4) a pupil enrolled in a program of more than one hundred and eighty-five days duration shall be counted as one full-time equivalent pupil plus a fraction of one full-time equivalent pupil in that program, with such fraction equal to the number of days in excess of one hundred and eighty divided by one hundred and eighty. The commissioner may by regulation, under the direction of the state board, further define the computation of "full-time equivalent pupil" as he deems advisable.

"Local support percentage", the percentage determined during each fiscal year in accordance with the provisions of section eleven.

"Persons who reside in a city or town", the population of the city or town as enumerated in the most recent of the following: (1) the most recent official state census conducted by the state secretary; or (2) the most recent official federal census, adjusted by the state tax commission to conform as nearly as possible to the same definitions as used in such state census.

"Pupil", a person who is enrolled in either public school or in an approved program under chapter seventy-one B and the regulations promulgated thereunder, and educated at the full or partial expense of a city, town, regional school district or independent vocational school where said full or partial expense represents an actual outlay or disbursement by said city, town, regional school district, or independent vocational school.

"Regular day program", any public school day program not defined as special needs, vocational or transitional bilingual education under any other provision of the General Laws or regulations promulgated thereunder.

"School aid percentage" for each city, town, regional school district and independent vocational school, the amount by which one hundred per cent exceeds the product of the local support percentage, as defined above, times the valuation percentage.

"State board", the state board of education.

"Sum of weighted full-time equivalent pupils" in a city, town, regional school district or independent vocational school, the total number of weighted full-time equivalent pupils in each program hereinafter defined in schools under the jurisdiction of a regional school district committee, a school committee of a city or town, or a board of local or district trustees for vocational education as the case may be, and the totals so derived for each program then added together to produce a single sum for all said programs in

each city, town, regional school district or independent vocational school; provided, however, that any full-time equivalent pupils residing in a city or town who are receiving education in the schools of another city, town, regional school district or independent vocational school, or in a program approved under chapter seventy-one B and the regulations promulgated thereunder, on a tuition basis shall be deemed to be full-time equivalent pupils or their city or town of residence.

"Total expenditures for all pupils enrolled in regular day programs in a city, town, regional district or independent vocational school", the total amount expended by such city, town, regional school district or independent vocational school during the previous fiscal year for the support of regular day programs in public schools exclusive of expenditures for transportation, payment of regional school district assessments, food for school food services and captial outlays, after deducting therefrom any receipts for tuition, receipts from the federal government, the proceeds of any invested funds and grants, gifts and receipts from any other sources, to the extent that such receipts are applicable to such expenditures; provided, however, that amounts applicable to such expenditures received by (a) a city, town, regional school district or independent vocational school from the commonwealth, and (b) a regional school district from the member cities and towns of said district, shall not be so deducted. The commissioner of education may, by regulation, further define the expenditures and receipts that may be included hereunder.

"Total expenditures for all pupils enrolled in all programs in a city, town, regional school district or independent vocational school", the total amount expended by a city, town, regional school district or independent vocational school during the previous fiscal year for the support of all programs in public schools and programs approved under chapter seventy-one B and the regulations promulgated thereunder, exclusive of expenditures for transportation, payment of regional school district assessments, food for school food services and capital outlays, after deducting therefrom any receipts for tuition, receipts from the federal government, the proceeds of any invested funds and grants, gifts, and receipts from any other sources, to the extent that such receipts are applicable to such expenditures; provided, however, that amounts applicable to such expenditures received by (a) a city; town, regional school district or independent vocational school from the commonwealth, and (b) a regional school district from the member cities and towns of said district shall not be so deducted. The commissioner of

education may, by regulation, further define the expenditures and receipts that may be included hereunder.

"Valuation percentage of a city, town, regional school district or independent vocational school", the proportion which the equalized valuation per person in a city, town, regional school district or independent vocational school bears to the equalized valuation per person in the commonwealth.

"Weighted full-time equivalent pupil", a full-time equivalent pupil enrolled in any regular day, special needs, vocational or transitional bilingual education program multiplied by the pupil weight cost factor for the program or programs in which the pupil is enrolled as set forth in section two A.

Section 2A. (1) A full-time equivalent pupil enrolled in a regular day program shall be assigned a pupil weight of 1.00; (2) a full-time equivalent pupil enrolled in a transitional bilingual education program in accordance with the provisions of chapter seventy-one A and the regulations promulgated thereunder shall be assigned a pupil weight of 1.40; (3) a full-time equivalent pupil enrolled in a regular education program with modifications, a regular education program with no more than twenty-five per cent time out, a regular education program with no more than sixty per cent time out, a substantially separate program, a home and hospital program, a day program or a preschool program for children with special needs, as defined in regulations promulgated under chapter seventy-one B, shall be assigned a pupil weight of 4.00; (4) a full-time equivalent pupil enrolled in a residential program for children with special needs, as defined in regulations promulgated under chapter seventy-one B, shall be assigned a pupil weight of 6.30; (5) a full-time equivalent pupil enrolled in a vocational education program, as defined in chapter seventy-four and regulations promulgated thereunder, but excluding therefrom pupils enrolled in evening classes of vocational education and adult evening practical arts programs, shall be assigned a pupil weight of 2.00; (6) a pupil whose family income is below the poverty level, as determined by the department of education in accordance with the regulations promulgated under Title I of the Federal Elementary and Secondary Education Act of 1965, as amended, shall be counted as one additional full-time equivalent pupil in programs of auxiliary services for educationally disadvantaged pupils, and assigned a pupil weight of 0.20 to reflect the possible needs of such a pupil for such auxiliary services, in addition to being counted in the regular day, special needs, vocational or transitional

bilingual education program in which such pupil may be enrolled. Such auxiliary services shall seek to enable educationally disadvantaged pupils to fully benefit from regular day, special needs, vocational and transitional bilingual education programs. Approval criteria for auxiliary services for such educationally disadvantaged pupils shall be established by the board of education.

In determining the total number of full-time equivalent pupils enrolled in regular day program in a city, town, regional school district or independent vocational school (1) all children enrolled in a private school and receiving educational services at the expense of a city or town as required under the provisions of section forty-eight and fifty-seven of chapter seventy-one or Section 613 of the Federal Education for All Handicapped Children Act of 1975 shall be counted as a fraction of a full-time equivalent pupil enrolled in a regular day program, where the numerator of said fraction is the total amount so expended during the previous fiscal year, and the denominator of which is the average current operating expenditure per pupil in a regular day program in the commonwealth during said year; (2) pupils enrolled in adult education programs and other programs under the provisions of sections nine and nine A of chapter sixty-nine or sections eighteen, nineteen, twenty-one, twenty-six A, twenty-eight, seventy-one B, seventy-five, seventy-six, and seventy-seven of chapter seventy-one and any regulations promulgated thereunder and educated at the direct expense of a city, town, regional school district or independent vocational school, shall be counted as a fraction of a full-time equivalent pupil enrolled in a regular day program, where the numerator of said fraction is the total amount so expended for instructional services during the previous fiscal year after deducting therefrom any receipts for tuition, receipts from the federal government, the proceeds of any invested funds and grants, gifts and receipts from any other sources to the extent that such receipts are applicable to such expenditures provided, however, that amounts applicable to such expenditures received under this chapter as reimbursements for such expenditures shall not be so deducted, and the denominator of which is the average current operating expenditure per pupil in regular day program in the commonwealth during said year; (3) pupils enrolled in evening programs of vocational education and adult evening practical arts under chapter seventy-four and the regulations promulgated thereunder at the direct expense of a city, town, regional school district or independent vocational school shall be counted as a fraction of a

full-time equivalent pupil enrolled in a regular day program where the numerator of said fraction is the total amount expended for instructional services during the previous fiscal year after deducting therefrom any receipts for tuition, receipts from the federal government, the proceeds of any invested funds and grants, gifts and receipts from any other sources to the extent that such receipts are applicable to such expenditures provided, however, that amounts applicable to such expenditures received under this chapter as reimbursements for such expenditures shall not be so deducted, and the denominator of which is the average current operating expenditure per pupil in a regular day program in the commonwealth during said year; and (4) pupils enrolled in any program and educated at the direct expense of a city, town or regional school district who are residents of an institution and were not theretofore residents of said city, town or regional school district under the provisions of section eleven of chapter seventy-six shall be counted as a fraction of a full-time equivalent pupil enrolled in a regular day program where the numerator of said fraction is the total amount so expended for instructional services for said pupils during the previous fiscal year, after deducting therefrom any amount recovered from the commonwealth under said section eleven, and the denominator of which is the average current operating expenditure per pupil in regular day program in the commonwealth during said year.

Section 3. Subject to the limitations specified in sections six and seven, the amount of school aid to be paid to each city, town, regional school district and independent vocational school in a fiscal year under this chapter shall be determined by multiplying together: (1) the school aid percentage for such city, town, regional school district or independent vocational school; (2) the average current operating expenditures per pupil in regular day program in the commonwealth during the previous fiscal year; and (3) the sum of the weighted full-time equivalent pupils in such city, town, regional school district or independent vocational school during the fiscal year in question.

Section 4. The cities, towns, regional school districts and independent vocational schools shall report to the commissioner, in such form as the commissioner may require, all information necessary to compute the amount of school aid to be paid under this chapter. Such reports shall be made in accordance with the provisions of section six of chapter seventy-two. The commissioner may request other such reports as he deems necessary and as of

such dates as he may require to carry out the purposes of this section.

The information submitted under this section shall be subject to approval, verification and adjustment. The commissioner shall be responsible for the verification of such information, including but not limited to (a) the numbers of full-time equivalent pupils within each program listed in section two A reported by each city, town, regional school district and independent vocational school; (b) certification that programs in transitional bilingual education under chapter seventy-one A have been carried out in accordance with the requirements of said chapter seventy-one A, the regulations promulgated thereunder, and approved plans submitted earlier by a city, town, regional school district or independent vocational school; (c) approval and certification that expenditures under chapter seventy-one B are reasonable, that funds for special education personnel, materials and equipment, tuition, rent and consultant services were actually expended, and that such special education classes, instruction periods and other programs have met the standards and requirements prescribed by the regulations promulgated under said chapter seventy-one B; and (d) approval of vocational education programs under chapter seventy-four and regulations promulgated thereunder; (e) approval of adult education programs and other programs under sections nine and nine A of chapter sixty-nine and sections eighteen, nineteen, twenty-one, twenty-six A, twenty-eight, seventy-one B, seventy-five, seventy-six and seventy-seven of chapter seventy-one and regulations promulgated thereunder. When undertaking such verification, the commissioner shall employ a number of criteria in examining the information so reported, including but not limited to (a) the proportion which the total enrollment in each program listed in section two A reported by each city, town, regional school district and independent vocational school bears to the total enrollment in all programs so reported, and (b) the percentage change in the proportional enrollment in each program listed in section two A reported by each city, town, regional school district and independent vocational school from the prior fiscal year. An audit of the information submitted by a city, town, regional school district and independent vocational school shall be conducted by the commissioner in each instance of significant change in the annual proportional enrollment of any program listed in section two A.

A city, town, regional school district or independent vocational school may submit to the commissioner amendments to such a previously completed report in the event of any error in the preparation of said reports; provided,

however, that no such amendment may be filed after June thirtieth of the fiscal year succeeding that in which amounts of school aid were computed and paid on the basis of the previously submitted report.

Any such adjustment which reduces or increases, as the case may be, the school aid to which a city, town, regional school district or independent vocational school is entitled shall be taken into account in the school aid to be paid to such city, town, regional school district or independent vocational school as soon as may be after the adjustment is made and certified to the comptroller and the state tax commission. No such adjustment shall be made after June thirtieth of the second fiscal year following the fiscal year in which such amounts of aid were distributed.

Section 5. The commissioner shall certify to the comptroller and to the department of revenue no later than December thirty-first prior to the fiscal year in which the aid is to be paid the estimated amount of school aid to be paid to each city, town, regional school district and independent vocational school. Before the final distributions are made under the provisions of section eighteen A of chapter fifty-eight, the commissioner shall make a final certification to the comptroller and to said department of revenue of the full amount due the cities, towns, regional school districts and independent vocational schools.

Section 6. The aid paid to any city, town, regional school district or independent vocational school under this chapter shall not be less than one hundred and seven per cent of the sum of the amounts due said city, towns, regional school district or independent vocational school from the commonwealth during the fiscal year ending June thirtieth, nineteen hundred and seventy-eight under the provisions of the formulae contained in the following sections of the General Laws, as such formulae were applied during the fiscal year ending June thirtieth, nineteen hundred and seventy-eight, and as such amounts due were affected by the provisions of the second and third paragraph of paragraph (3) of subsection (b) of section eighteen A of chapter fifty-eight; chapter seventy; sections four and eight of chapter seventy-one A; the first paragraph of section thirteen of chapter seventy-one B; section nine, eleven and twelve of chapter seventy-four; and section ten of chapter seventy-four, excluding therefrom reimbursements for tuition fees for children placed in a city or town by the commissioner of public welfare or the youth service board. Said sums shall exclude any amounts of reimbursements due under said statutes for expenditures incurred in

the transportation of pupils. In determining the amounts due from the commonwealth in the fiscal year ending June thirtieth, nineteen hundred and seventy-eight, the amount of school aid due under this chapter to cities and towns which were members of regional school districts shall be deemed to have been due to each of their respective regional school districts in the same proportions as the current operating assessments for the cost of regular day program levied by each regional school district upon each such member city or town during said fiscal year bear to the total current operating expenditures, including such assessments, for all pupils enrolled in regular day program in each such city or town during the fiscal year ending June thirtieth, nineteen hundred and seventy-eight. The amounts of school aid due, as so determined, shall be deducted from the amounts deemed to have been due such member cities and towns from the commonwealth under this chapter during the fiscal year ending June thirtieth, nineteen hundred and seventy-eight. The commissioner may, by regulation, under the direction of the state board, further define the amounts of aid due or deemed to have been due each city, town, regional school district and independent vocational school from the commonwealth under said provisions of chapters seventy, seventy-one A, seventy-one B and seventy-four. Said regulations may include the amounts of aid due or deemed to have been due any regional school district established, reorganized, or terminated after the fiscal year ending June thirtieth, nineteen hundred and seventy-eight.

Section 7. In each fiscal year, each city, town, regional school district and independent vocational school shall expend at least eighty-five per cent of the product obtained by multiplying the average direct service expenditure per pupil in regular day program in the commonwealth during the previous fiscal year by the sum of weighted full-time equivalent pupils in the city, town, regional school district or independent vocational school during the current fiscal year. The amount so determined shall be expended for the support of the school programs listed in section two A, exclusive of expenditures for administration, athletic and other student body activities, plan operation and maintenance, transportation, payment of regional school district assessments, food for school food programs, and capital outlay; provided, however, that amounts received by a regional school district from the member cities and towns of said district which are applicable to such expenditures for such programs shall not be so deducted.

If a city, town, regional school district or independent vocational school fails to expend, from sources other than the amounts of aid paid under

this chapter, an amount equal to the difference between (1) the amount determined in accordance with the first sentence of this section, and (2) either the total estimated amount of school aid to have been received, or the total school aid acutally received by said city, town, regional school district or independent vocational school during the fiscal year in question, whichever is greater, then the commissioner shall certify to the comptroller and the state tax commission an amount equal to the school aid otherwise due to be paid under this chapter during the next fiscal year, multiplied by a fraction, the numerator of which is the actual amount expended by said city, town, regional school district or independent vocational school, from sources other than the amounts of aid paid under this chapter, and the denominator of which is the difference as set forth above.

The commissioner shall annually calculate, on or before January thirty-first, to the nearest tenth of one per cent, the proportion which the total amount of school aid paid under this chapter during the previous fiscal year bears to the sum of the total expenditures for all pupils, enrolled in all programs in all cities, towns, regional school districts and independent vocational schools during said previous fiscal year, until said proportion equals at least thirty-five per cent. The provisions of this section shall then apply to the expenditures of all cities, towns, regional school districts, and independent vocational schools commencing with the third fiscal year following that in which said percentage first equals at least thirty-five per cent, and in every fiscal year thereafter.

Section 8. Notwithstanding any provision of law to the contrary, the school aid paid under this chapter to a city, town, regional school district or independent vocational school in accordance with the provisions of this chapter shall be deposited with the treasurer of the city, town, or regional school district, and shall be applied in the first instance, subject to the limitations specified below, to total expenditures for current operating costs in all programs during the fiscal year in which payments are so made. In the event that the estimated amount of school aid to be received by a city, town, regional school district or independent vocational school exceeds the amount included for such expenditures within the total school department, regional school district or independent vocational school budget approved by said city, town, regional school district or independent vocational school, after first deducting from such budgeted expenditures any other estimated receipts for tuition, receipts from the federal government, the proceeds of any invested

funds and grants, gifts, and receipts from the commonwealth or any other source, to the extent that such receipts are applicable to such expenditures, such access shall be available for application to expenditures for any municipal purpose by such city or town, or used by such regional school district to reduce the operating assessments levied upon member cities and towns during the following fiscal year. In the event that the amount of such school aid actually received during the fiscal year exceeds the estimated school aid, such excess shall be added to the estimated school aid to be received during the following fiscal year and applied in said year in accordance with the provisions of this section. In the event that the amount of such school aid actually received and available during the fiscal year under the provisions of this section for such operating expenditures, plus receipts from any other sources applicable to such expenditures as defined above, exceed the total actual amount of such expenditures, such excess shall be added to the estimated school aid to be received during the following year and applied in aforesaid manner. The entire amounts of such excess school aid carried over from any previous year, plus the entire estimated amount of school aid to be received by a city or town under this chapter during the fiscal year shall, however, be treated by the board of assessors as school incomes when computing the school tax rate for said fiscal year under the provisions of section twenty-three C of chapter fifty-nine. The entire estimated amount of school aid to be received by a regional school district during the fiscal year, plus any amount of such excess school aid carried over from any previous year, shall be used by said district to reduce the operating assessments levied by such district upon member cities and towns during the following year.

The commissioner shall determine the portions of the school aid received by each city, town, regional school district or independent vocational school which are allocated on account of the total number of weighted full-time equivalent pupils reported for each program listed in section two A. Not less than seventy per cent of the aforesaid portions of school aid so determined for each said program and received by each city, town, regional school district or independent vocational school under this chapter shall be expended for instructional services, attendance services, health services, fixed charges and food services in each program listed in section two A in which full-time equivalent pupils were reported by the city, town, regional school district or independent vocational school during said fiscal year.

Section 9. The school fund of the commonwealth, known as the Massachusetts School Fund, with future additions shall constitute a permanent fund. The commissioner of education and the state treasurer shall continue to be commissioners to invest and manage said fund, and they shall report annually the condition and income thereof. All investments shall be made with the approval of the governor and council. The annual income thereof shall be paid to the several cities, towns, regional school districts and independent vocational schools under the provisions of section eighteen A of chapter fifty-eight, as part of the school aid required under this chapter.

Section 10. The income of the Todd Fund shall be paid to the board of trustees of state colleges, and applied by it to specific objects, in connection with state colleges, not provided by appropriation.

Section 11. In determining the amounts of school aid due to be paid under this chapter to each city, town, regional school district, and independent vocational school during any fiscal year, the local support percentage used in computing said school aid shall be determined so that the total school aid as so computed shall be equal to the amount actually appropriated for distribution as school aid under this chapter, after deducting the amounts to be paid under the provisions of section six. The local support percentage so determined in any fiscal year shall be the same for every city, town, regional school district and independent vocational school. The school aid to be distributed under this chapter shall be subject to application.

SECTION 70D. Section 24 of chapter 71 of the General Laws, as most recently amended by section 51 of chapter 14 of the acts of 1966, is hereby amended by striking out the first and fourth sentences.

SECTION 70E. Sections twenty-six E, thirty-eight B, thirty-eight E, sixty-five and seventy-eight of said chapter seventy-one are hereby repealed.

SECTION 70F. Section 4 of chapter 71A of the General Laws, as appearing in section 2 of chapter 1005 of the acts of 1971, is hereby amended by striking out the third paragraph.

SECTION 70G. Said chapter 71A is hereby further amended by striking out section 8, as so appearing, and inserting in place thereof the following section:-

Section 8. The state treasurer shall annually, on or before November twentieth, reimburse any city, town, regional school district or independent vocational school for expenditures incurred during the previous fiscal year in

the transportation of any pupil enrolled in a transitional bilingual education program and who resides as least one and one-half miles from the school which the pupil attends, as measured a by commonly travelled route, in the manner hereinafter defined. Such reimbursements shall include: first, an amount for each pupil which is equal to the average transportation services expenditure per pupil, enrolled in regular day program in said city, town, regional school district or independent vocational school during said fiscal year, provided that each such pupil enrolled in regular day program resides at least one and one-half miles from the school which said pupil attends; and second, the entire amount by which the average transportation services expenditure per pupil enrolled in such a bilingual program in said city, town, regional school district or independent vocational school during said fiscal year may exceed the aforesaid average transportation services expenditure per pupil enrolled in regular day program. In no instance, however, shall the amount or reimbursement for such excess cost per pupil exceed one hundred and ten per cent of the average of such excess costs per pupil in all cities, towns, regional school districts and independent vocational schools in the commonwealth during the fiscal year in which such expenditures were made.

In determining each said average transportation services expenditure per pupil enrolled in regular day program in each city, town, regional school district and independent vocational school, the department of education shall use the transportation services expenditure per pupil eligible for reimbursement under sections seven A, seven B, or sixteen C of chapter seventy-one, whichever is higher, during the same fiscal year. The commissioner of education may, by regulation, under the direction of the state board of education, further define the expenditures per pupil to be used in aforesaid computations.

SECTION 70H. Section 8 of chapter 71B of the General Laws, as appearing in section 11 of chapter 766 of the acts of 1972, is hereby amended by striking out the second sentence and inserting in place thereof the following sentence:- The city or town providing transportation under this section shall be reimbursed according to the provisions of section fourteen.

SECTION 70I. Section 13 of said chapter 71B, as most recently amended by section 1 of chapter 383 of the acts of 1977, is hereby further amended by striking out the first, third, fourth and fifth paragraphs.

SECTION 70J. Section thirteen A of said chapter seventy-one B is hereby repealed.

SECTION 70K. Said chapter 71B is hereby further amended by striking out section 14, as appearing in section 11 of chapter 766 of the acts of 1972, and inserting in place thereof the following section.-

Section 14. The state treasurer shall annually, on or before November twentieth, reimburse any city, town, regional school district or independent vocational school for expenditures incurred during the previous fiscal year in the transportation of pupils enrolled in special needs programs, in the manner hereinafter defined, provided that such transportation services are required by the educational plan of each such pupil, and that such services are not normally provided to pupils enrolled in regular day program in said city, town, regional school district or independent vocational school. Such reimbursement shall include: first, an amount for each such special needs pupil which is equal to the average transportation services expenditure per pupil enrolled in regular day program in said city, town, regional school district or independent vocational school during said fiscal year; and second, the entire amount by which each of the average transportation services expenditures per pupil enrolled in each special needs program prototype, as defined in regulations promulgated under this chapter, in said city, town, regional school district or independent vocational school during said fiscal year may exceed the aforesaid average transportation services expenditure per pupil enrolled in regular day program. In no instance, however, shall the amount of reimbursement for such excess cost within such special needs program prototype exceed one hundred and ten per cent of the averages of such excess costs in all cities, towns, regional school districts and independent vocational schools during the fiscal year in which such expenditures were made.

In determining each said average transportation services expenditure per pupil enrolled in regular day program in each city, town, regional school district and independent vocational school, the department of education shall use the transportation services expenditure per pupil eligible for reimbursement under sections seven A, seven B or sixteen C of chapter seventy-one, whichever is higher, during the same fiscal year. The commissioner of education may, by regulation, under the direction of the state board of education, further define the expenditures per pupil to be used in aforesaid computations.

SECTION 70L. Sections nine, ten, eleven and twelve of chapter seventy-four of the General Laws are hereby repealed.

SECTION 70M. Chapter 76 of the General Laws is hereby amended by striking out section 11, as amended by section 13 of chapter 766 of the acts of 1972, and inserting in place thereof the following section:-

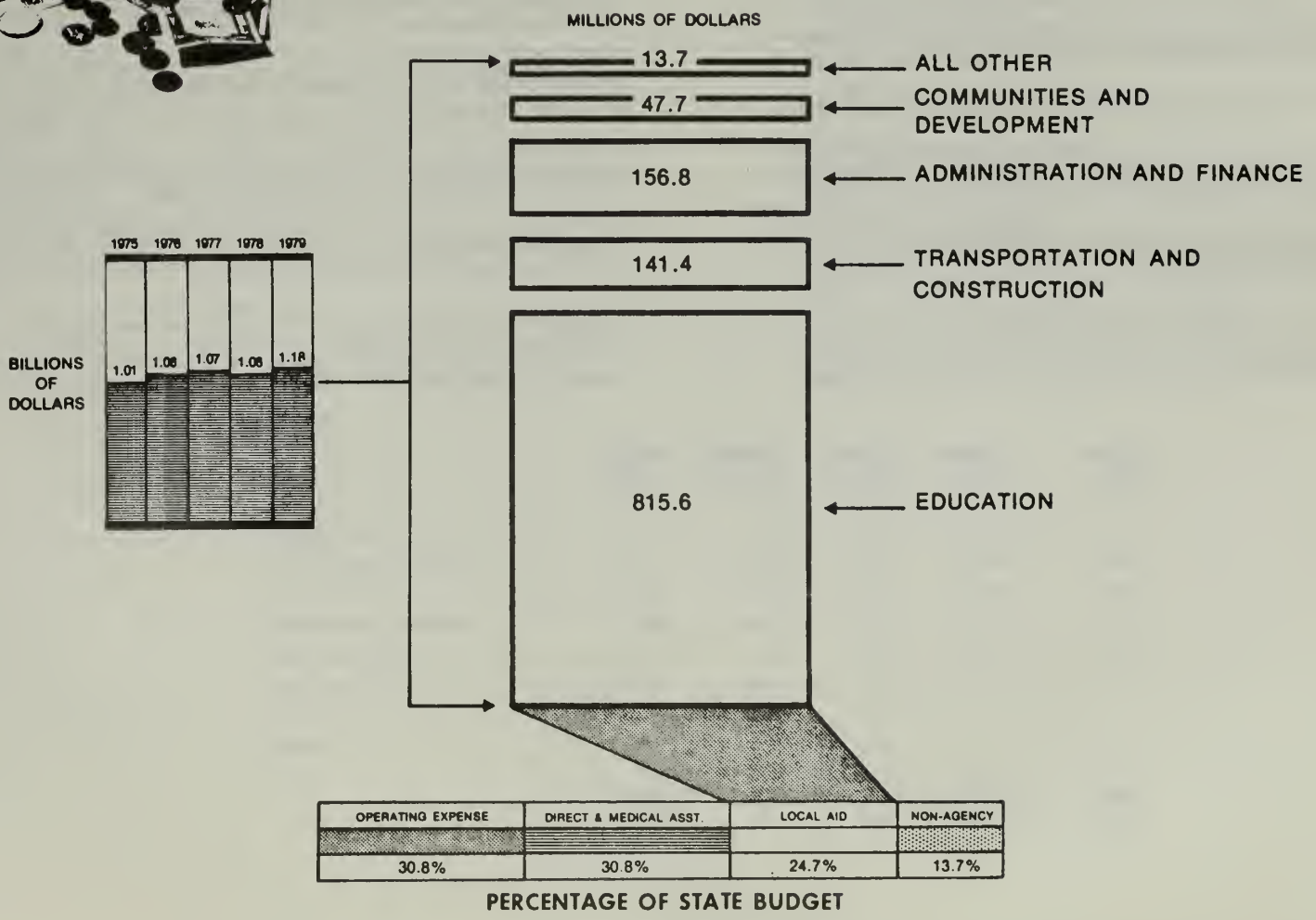
Section 11. Any city, town or regional school district which provides instruction to any child who is a resident of an institution and who was not theretofore a resident of such city, town or regional school district may recover from the commonwealth the school expense incurred by reason of the school attendance of such child to be determined jointly by the school committee of such city, town or regional school district and the department of education or, in case of their disagreement, by the probate court. The amount recoverable by a city, town or regional school district under this section shall be limited to the annual per pupil cost of education as determined under section seven; provided, however, that any amount expended in excess of said annual per pupil expenditure in said city, town or regional school district shall be recoverable under the provisions of sections two and three of chapter seventy.

SECTION 70N. Notwithstanding any other provision of law to the contrary, the school aid to be distributed under this act shall be subject to appropriation.

SECTION 70 O. The provisions of sections seventy to seventy N, inclusive, shall apply to the distributions of school aid to be made during the fiscal year ending June thirtieth, ninteen hundred and seventy-nine, and in every fiscal year thereafter.

# EXECUTIVE BUDGET RECOMMENDATIONS FOR LOCAL AID IN FISCAL YEAR 1979

## LOCAL AID


MILLIONS OF DOLLARS
13.7
ALL OTHER
47.7
COMMUNITIES AND DEVELOPMENT
156.8
ADMINISTRATION AND FINANCE
141.4
TRANSPORTATION AND CONSTRUCTION
815.6
EDUCATION
1975 1976 1977 1978 1979
BILLIONS OF DOLLARS
1.01 1.06 1.07 1.06 1.18
OPERATING EXPENSE
DIRECT & MEDICAL ASST.
LOCAL AID
NON-AGENCY
30.8%
30.8%
24.7%
13.7%
PERCENTAGE OF STATE BUDGET

## SUMMARY OF LOCAL AID

(000's omitted)

| | 1977 Appropriation | 1977 Expenses | 1978 Appropriation | 1979 Governor's Recommended | % of State Budget |
|---|---|---|---|---|---|
| Judiciary | $ 1.042 | $ 1.042 | $ 1.057 | $ 1.057 | 0.02 |
| Treasurer | | — | 30.000 | — | — |
| Attorney General | | - | 200 | | — |
| Administration and Finance | 137,725 | 138.443 | 149.215 | 156.811 | 3.30 |
| Environmental Affairs | 1.353 | 1,353 | 1,340 | 1,337 | 0.03 |
| Communities and Development | 36.883 | 36.981 | 43,305 | 47,746 | 1.00 |
| Human Services | 9.810 | 12.789 | 5.025 | 11.025 | 0.23 |
| Transportation and Construction | 73,725 | 125.069 | 127.581 | 141.450 | 2.97 |
| Educational Affairs | 701.322 | 711.989 | 697,336 | 815.608 | 17.15 |
| Elder Affairs | 100 | 100 | 100 | 200 | — |
| **Total** | **$ 961,960** | **$1,027,766** | **$1,055,159** | **$1,175,234** | **24.71%** |

### LOCAL AID

An increase of $153 million in local aid or in the assumption of costs borne by the cities and towns is included in the recommendations contained in this budget. For the first time in several years the percentage increase in these accounts — 14.4% — exceeds the increase in the total budget - 10.9%. Put another way, approximately one-third of the increase in the total budget, which is $469.6 million, is in these accounts.

Of this $153 million increase, $120 million is shown in those accounts, which have been known as local aid accounts, summarized above and detailed below. The remainder of the increase, $33 million, is contained in other sections of the budget.

In all, $1,216,233,309 – slightly less than one-quarter of the total budget — will be paid directly to cities, towns and regions or to authorities or others on behalf of local functions or to assume local costs.

The highlights of the local aid recommendations for the 1979 fiscal year are:

The total local aid recommended is $1,175,233,309, which is $120 million more than was appropriated for the 1978 fiscal year.

A total of $26 million is recommended for the second year of the assumption of county court costs, $18 million more than was appropriated for the 1978 fiscal year. This amount would be paid directly to the counties and used to reduce county taxes or county court costs.

In addition, $15 million is recommended for a new program under which the state would pay through the medical assistance program for medical costs associated with school children receiving special education.

The recommended increase in local aid and cost assumption is $20.7 million higher than the recommended increase for the operation of all state departments, agencies, universities, colleges and institutions - $132.3 million, after adjusting for the fact that the aforementioned cost assumptions are included as operating costs for the Judiciary.

The recommended increase for local aid and cost assumption is almost as high as the increase recommended for direct and medical assistance $185.4 million, after making a similar adjustment for the fact that $15 million is set aside to pay medical costs now borne locally. In fact, the local aid increase will exceed the increase in direct and medical assistance, after the expenditure of the reserve for deficiencies for the current year, as shown in the surplus statement contained in this budget, is applied.

— The amounts distributed to the cities and towns from the lottery, beano and the numbers game are shown in the detail below but are not included in the local aid recommendations. The Lottery Commission estimates the distribution to be $45 million in the current year and $46 million in the 1979 fiscal year.

— Local aid paid directly to cities, towns, regions and the M.B.T.A. for reductions in local property taxes is recommended to be increased by $105 million, again not including $33 million in the assumption of local costs.

— Approximately $100 million more is recommended in this budget for a new school finance formula.

— The amount recommended for teachers' retirement payments, paid directly to retired teachers on behalf of the cities and towns, will increase by $5.5 million.

— Assistance for local housing programs will increase by $4.4 million.

— Other highway and transportation assistance will increase by $4.5 million.

— Highway and transportation development aid to cities and towns outside the M.B.T.A. area is recommended to be continued at $18.5 million.

Of the total $1,175.2 million in local aid recommended in this budget, $931.6 million — or 79.3% — will be expended for a variety of programs related to local elementary and secondary education. The remainder will be expended to reimburse communities for a portion of veterans' benefits paid; for the loss of taxes because of state-owned land or property tax abatements granted certain veterans, widows and blind persons; for the support of local housing projects for the elderly, veterans and low income families; for assstance to the Massachusetts Bay Transportation Authority; and for other programs.

State assistance in these many areas is obviously important in achieving the various program objectives. But, it is equally important because of its effect on local property tax rates. Translated into such terms, $1,175.2 million in local aid and $41 million in assumed costs — or $1,216.2 million — is equal to slightly more than two-fifths of the total taxes levied on real and personal property. Or, to put it differently, if this local aid were not used directly or indirectly to reduce local property taxes, those taxes would be an average of $33 per $1,000 of valuation higher.

Perhaps the best way to compare the local aid recommendations of this budget with local aid of current and prior years is to identify separately aid paid directly to cities and towns and certified on their "Cherry Sheets"; aid paid to regions, which in turn reduces the local assessments; and, aid paid to authorities and others.

From such comparison, shown in the table below, it will be seen that local aid paid directly to cities and towns for the 1979 fiscal year is $787.7 million — $57.2 million more than was appropriated for the 1978 fiscal year, again not including amounts to be saved by the cities and towns from the assumption of more of the county court costs and of chapter 766 Medicare costs.

Similarly, the amount to be paid directly to regions and which will thereby reduce local assessments on their member cities and towns, is recommended at $131.1 million — $38.1 million more than was appropriated for the 1978 fiscal year.

Local Aid paid to authorities and others will increase by $24.8 million — from $231.5 million to $256.3 million. Of this increase, $5.5 million is in teachers' retirement payments; $4.4 million in housing program assistance; and $14.9 million in highway and transportation aid. In the last figure there is an increase of $9.7 million in the state's share of the M.B.T.A. deficit and will be used to offset a similar increase in the local share.

Educational aid to cities, towns and regions is recommended for the 1979 fiscal year at $815.6 million — $118.3 million more than was appropriated for the 1978 fiscal year. Of this amount $100 million is an increase in the amount which is currently distributed or reimbursed for vocational education, special education, bilingual education, regular education and for the tuition for state wards placed in public schools.

The substantially increased aid would be distributed under a new school finance formula developed by the Special Commission on Unequal Educational Opportunity. For the first time, all forms of educational aid would be paid under one formula, although at different weights.

Other kinds of educational aid will be funded at the level required by the current law, except school transportation, which will be funded at the 1978 fiscal year level.

Finally, as in the 1978 fiscal year, all local aid items are recommended to be appropriated, in accordance with the established policy that all state expenditures, for whatever purpose, should be reflected in the overall budget. This does not, of course, include two items which are not state expenditures but which are certified on the individual city or town "Cherry Sheet": (1) the amounts to be paid to cities and towns certified by the Lottery Commission and (2) the amounts of urban renewal excise collected on behalf of the cities and towns by the State.

| | Fiscal 1977 Expenses | Fiscal 1978 Appropriation | Fiscal 1979 Recommendation |
|---|---|---|---|
| **LOCAL AID DIRECTLY TO CITIES AND TOWNS** | | | |
| General Fund, Reimbursements | | | |
| Education Programs: | | | |
| Vocational Education | $ 18.5 | $ 18.9 | $ —(1) |
| School Construction | 88.1 | 90.5 | 92.3 |
| Racial Imbalance | 14.3 | 14.5 | 15.1 |
| School and Elderly Lunch and Breakfast | 6.7 | 6.7 | 8.7 |
| Public Libraries | 4.3 | 4.5 | 4.4 |
| Pension to Retired Teachers | 19.9 | 16.7 | 16.6 |
| School Transportation | 38.0 | 25.5 | 26.1 |
| **Sub-total, Education** | **$189.8** | **$177.3** | **$163.2** |
| Loss of Taxes, Abatements and State-owned Property | $ 18.7 | $ 19.7 | $ 21.9 |
| Urban Renewal Projects | 4.4 | 4.2 | 4.5 |
| Veterans' Benefits | 10.3 | 4.2 | 10.2 |
| Others | 5.6 | 4.9 | 4.8 |
| **Sub-total, All Reimbursements** | **$218.8** | **$210.6** | **$204.6** |
| General Fund, Appropriated Distributions | | | |
| Current Education Formulas: | | | |
| Bilingual Education | $ 4.0 | $ 5.7 | $ — |
| Special Education | 89.5 | 170.7 | — |
| School Aid | 353.0 | 265.6 | — |
| Tuition for State Wards | — | 1.7 | — |
| Sub-total | $446.5 | $443.7 | $ — |
| Proposed Education Formulas: | | | |
| School Aid, All Categories | $ — | $ — | $523.2 |
| Tuition for State Wards | — | — | 2.2 |
| Special Education Recreation | — | — | 0.6 |
| Other School Transportation | — | — | 11.8 |
| **Sub-total, Education** | **$** | **$** | **$537.8** |
| Additional Local Aid, Lottery Formula | $ — | $ 30.0 | $ — |
| Highway and Transportation Development | 21.0 | 21.0 | 19.7 |
| Suppression, Enemies of Shellfish | 0.2 | 0.2 | 0.2 |
| **Sub-total, Distributions** | **$ 21.2** | **$ 51.2** | **$ 19.9** |
| **Total, General Fund** | **$496.5** | **$705.5** | **$762.3** |
| Highway Fund, Appropriated Distributions | | | |
| Chapter 81 and Chapter 90 Projects | $ 1.9 | $ — | $ —(2) |
| Motor Fuels Tax(2) | 25.7 | 25.0 | 25.4 |
| Other | 0.5 | — | — |
| **Total, Highway Fund** | **$ 28.1** | **$ 25.0** | **$ 25.4** |
| **Total, Aid to Cities and Towns** | **$724.6** | **$730.5** | **$787.7** |
| **LOCAL AID DIRECTLY TO REGIONS** | | | |
| General Fund, Reimbursements | | | |
| Education Programs: | | | |
| Vocational Education | $24.9 | $26.7 | $ —(1) |
| School Construction | 21.6 | 20.5 | 21.2 |
| Racial Imbalance | 0.5 | 0.8 | 0.9 |
| School and Elderly Lunch and Breakfast | 1.0 | 1.0 | 0.9 |
| Public Libraries | 0.4 | 0.3 | 0.4 |
| Regional School Aid | 29.8 | 25.0 | 38.4 |
| School Transportation | 11.8 | 7.5 | 8.0 |
| **Sub-total, Education** | **$90.0** | **$81.8** | **$69.8** |
| General Fund, Appropriated Distributions | | | |
| Current Education Formulas: | | | |
| Special Education | $ 5.5 | $11.0 | $ — |
| Tuition for State Wards | — | 0.2 | — |
| **Sub-total** | **$5.5** | **$11.2** | **$ —** |
| Proposed Education Formulas: | | | |
| School Aid, All Categories | $ — | $ — | $60.3 |
| Tuition for State Wards | — | — | 0.3 |
| Special Education Recreation | — | — | — |
| Other School Transportation | — | — | 0.7 |
| **Sub-total** | **$ —** | **$ —** | **$61.3** |
| **Total, Aid to Regions** | **$95.5** | **$93.0** | **$131.1** |
| **LOCAL AID TO AUTHORITIES AND OTHERS** | | | |
| General Fund, Reimbursements | | | |
| Education Programs: | | | |
| Teachers' Retirement, State Share | $98.2 | $110.5 | $116.0 |
| **Sub-total, Education** | **$98.2** | **$110.5** | **$116.0** |
| Housing Programs: | | | |
| Housing for Elderly | $ 0.1 | $ 0.1 | $ — |
| Veterans' Housing | 4.0 | 4.1 | 4.1 |
| Rental Assistance, Low Income | 8.6 | 10.8 | 12.4 |
| Rental Reduction, Elderly | 3.2 | 4.1 | 5.0 |
| Veterans' Housing, Deficiencies | 8.0 | 9.9 | 11.9 |
| Extraordinary Maintenance | 0.6 | — | 0.5 |
| M.H.F.A. | 8.1 | 9.8 | 9.3 |
| **Sub-total, Housing** | **$32.6** | **$38.8** | **$43.2** |
| Highway and Mass Transportation Programs: | | | |
| Debt Service Contract Assistance, M.B.T.A.(2) | $20.4 | $20.5 | $24.7 |
| Reimbursements, M.B.T.A., Excises(2) | 0.4 | 0.4 | 0.4 |
| Reimbursements, Common Carriers, Excises(2) | 0.6 | 0.8 | 0.8 |
| Contract Assistance, Regional Transit Authorities(2) | 2.0 | 2.9 | 3.9 |
| Contract Assistance, Special Buses(2) | 0.1 | — | — |
| Additional Contract Assistance, M.B.T.A. | 52.4 | 56.9 | 66.6 |
| **Sub-total, Highway and Mass Transportation** | **$75.9** | **$81.5** | **$96.4** |
| Water Pollution Control Programs | $ 0.7 | $ 0.7 | $ 0.7 |
| **Total, Aid to Authorities, Others** | **$207.4** | **$231.5** | **$256.3** |
| **GRAND TOTAL, LOCAL AID** | **$1,027.8** | **$1,055.2** | **$1,175.2** |

1. Aid for vocational education would be included under "School Aid, All Categories" in the proposed education formula.
2. Motor fuels tax distribution and certain mass transportation costs were paid during fiscal year 1977 without appropriation.

| Item No. | Organization Unit | Fund | Citation of Statute | 1977 Approp. | 1977 Expenses | 1978 Approp. | 1979 Agency Req. | 1979 Sec'y Recom. | 1979 Gov. Recom. |
|---|---|---|---|---|---|---|---|---|---|
| | **LOCAL AID** | | | | | | | | |
| | **JUDICIARY** | | | | | | | | |
| 0301-3201 | Appeals Court Officers | | G.L.221, § § 73, 76 | $ 144,713 | $ 144,692 | $ 135,800 | $ 146,953 | | $ 135,800 |
| 0302-0303 | Counties, Compensation for special Justices | | G.L.212, § 14E | 15,000 | 15,000 | 15,000 | 40,000 | | 15,000 |
| 0312-0001 | Suffolk County Courthouse, maintenance | | 1935, 474 | 882,000 | 882,000 | 906,000 | 907,000 | | 906,000 |
| | | —State | | $1,041,713 | $1,041,692 | $1,056,800 | $1,093,953 | | $1,056,800 |
| | **EXECUTIVE** | | | | | | | | |
| 0411-4015 | Committee on Criminal Justice -- Local Share | *—Federal* | | $ — | $ — | *$13,945,400* | *$13,945,400* | | *$13,945,400* |
| 0432-0897 | Civil Defense 1976 | *—Federal* | | — | *84,568* | — | — | | |
| 0432-0104 | Federal reimbursement to cities and towns | *—Federal* | | — | *222,530* | *150,000* | *325,000* | | *325,000* |
| | | *—Federal* | | $ — | *$ 307,098* | *$14,095,400* | *$14,270,400* | | *$14,270,400* |
| | **TREASURER AND RECEIVER-GENERAL** | | | | | | | | |
| 0611-5500 | Additional assistance to cities and towns | | | $ — | $ — | $30,000,000 | $ — | | $ — |
| 0611-9001 | Payment to town of Harwich | | | 1,287 | 1,287 | | | | |
| 0640-2001 | Lottery distribution | *—Local Aid* | G.L.10, § 35; G.L.58, § 18C | | 41,660,152* | 45,024,420* | 46,000,000* | | 46,000,000* |
| | | —State | | $ 1,287 | $ 1,287 | $30,000,000 | $ — | | $ — |
| | **ATTORNEY GENERAL** | | | | | | | | |
| 0810-0031 | Consumer Aid Fund | | 1977, 721A | $ — | $ — | $ 200,000 | $ 251,850 | | $ — |
| | **ADMINISTRATION AND FINANCE** | | | | | | | | |
| | **COMMISSIONER OF ADMINISTRATION** | | | | | | | | |
| 1100-1671 | Highway Safety Program, disbursements to cities and towns | *—Federal* | | $ — | *$ 456,501* | $ 1,571,000 | *$ 2,000,000* | *$ 2,000,000* | *$ 2,000,000* |
| 1111-1002 | Reimbursements to cities and towns for pensions to retired teachers | | G.L.32, § 20 (2)(e) | 14,584,500 | 19,944,443 | 16,695,000 | 17,100,000 | 16,600,000 | 16,600,000 |
| 1111-1003 | Teachers' Retirement system -- State's share | | G.L.32 | 102,540,900 | 98,215,660 | 110,508,000 | 112,875,000 | 115,984,000 | 115,984,000 |
| 1185-1000 | For payment of certain flood damage | *—Highway* | | 316,300 | — | | | — | |
| | | —State | | $117,441,700 | $118,160,103 | $127,203,000 | $129,975,000 | $132,584,000 | $132,584,000 |
| | | *—Federal* | | *$ --* | *$ 456,501* | *$ 1,571,000* | *$ 2,000,000* | *$ 2,000,000* | *$ 2,000,000* |
| | **CORPORATIONS AND TAXATION** | | | | | | | | |
| 1233-1000 | Reimbursement for loss of taxes, state-owned property | | G.L.58, § § 13-17A | $14,662,400 | $14,662,399 | $14,500,000 | $14,700,000 | $14,700,000 | $14,700,000 |
| 1233-1500 | Reimbursement for loss of taxes, land taken for flood control | | G.L.58, § 17B | 200,000 | 200,000 | 230,000 | 265,000 | 265,000 | 265,000 |
| 1233-2000 | Real estate abatements | | G.L.58, § 8A; G.L.59, § 5 | 3,434,917 | 3,434,917 | 4,560,000 | 8,955,000 | 6,555,000 | 6,555,000 |
| 1233-3000 | Government Center Boston in lieu of taxes | | 1960, 635 | 357,575 | 357,570 | 357,575 | 357,575 | 357,575 | 357,575 |
| 1233-3100 | Reimbursement for career incentive salary increases for police | | G.L.41, § 1081 | 1,628,257 | 1,628,257 | 2,047,703 | 2,250,000 | 2,250,000 | 2,250,000 |
| 1233-3200 | Reimbursement to town of Millville for fire loss | | | — | — | 16,823 | | | |
| | | —State | | $20,283,149 | $20,283,143 | $21,712,101 | $26,527,575 | $24,127,575 | $24,127,575 |

* For explanation — see footnote on page 11.

| Item No. | Organization Unit | Fund | Citation of Statute | 1977 Approp. | 1977 Expenses | 1978 Approp. | 1979 Agency Req. | 1979 Sec'y Recom. | 1979 Gov. Recom. |
|---|---|---|---|---|---|---|---|---|---|
| | **ADMINISTRATION AND FINANCE — *Concluded*** | | | | | | | | |
| | **MISCELLANEOUS** | | | | | | | | |
| 1599-3500 | Matching funds -- 304 grant program | | — — — — — — | $ — | $ — | $ 300,000 | $ 300,000 | $ 100,000 | $ 100,000 |
| | **TOTAL, ADMINISTRATION AND FINANCE** | —State | | $137,724,849 | $138,443,246 | $149,215,101 | $156,802,575 | $156,811,575 | $156,811,575 |
| | | *—Federal* | | *$ —* | *$ 456,501* | *$ 1,571,000* | *$ 2,000,000* | *$ 2,000,000* | *$ 2,000,000* |
| | **ENVIRONMENTAL AFFAIRS** | | | | | | | | |
| | **OFFICE OF THE SECRETARY** | | | | | | | | |
| 2030-9701 | Outdoor Recreation Projects, PL 88-576 | *—Federal* | — — — — — — | *$ —* | *$3,203,578* | *$ 5,000,000* | *$ 4,000,000* | *$ 4,000,000* | *$ 4,000,000* |
| | **ENVIRONMENTAL MANAGEMENT** | | | | | | | | |
| 2240-0600 | Commonwealth's share — water pollution control | | G.L.21, § 37 | $1,100,682 | $1,100,682 | $1,090,155 | $1,086,581 | $1,086,581 | $1,086,581 |
| | **DIVISION OF MARINE FISHERIES** | | | | | | | | |
| 2330-0600 | Suppression of enemies of shellfish and propagation | | G.L.130, § 20 | $250,000 | $249,996 | $250,000 | $250,000 | $250,000 | $250,000 |
| | **AGRICULTURE** | | | | | | | | |
| 2515-4000 | Compensation of inspectors of animals | | G.L.129, § 17 | $ 2,000 | $ 2,000 | $ — | $ — | $ — | $ — |
| | **TOTAL, ENVIRONMENTAL AFFAIRS** | —State | | $1,352,682 | $1,352,678 | $1,340,155 | $1,336,581 | $1,336,581 | $1,336,581 |
| | | *—Federal* | | *$ —* | *$3,203,578* | *$ 5,000,000* | *$ 4,000,000* | *$ 4,000,000* | *$ 4,000,000* |
| | **COMMUNITIES AND DEVELOPMENT** | | | | | | | | |
| | **DEPARTMENT OF COMMUNITY AFFAIRS** | | | | | | | | |
| | **DIVISION OF COMMUNITY DEVELOPMENT** | | | | | | | | |
| 3722-9001 | Housing for the elderly | | G.L.121B, § § 38-41 | $ 73,100 | $ 71,600 | $ 73,100 | $ — | $ — | $ — |
| 3722-9002 | Assistance for Veterans' housing projects | | G.L.121B, § § 34-36 | 4,135,180 | 4,049,410 | 4,150,000 | 4,166,500 | 4,151,000 | 4,151,000 |
| 3722-9004 | Rental assistance for low income families | | G.L.121B, § § 42-44 | 9,500,481 | 8,565,475 | 10,794,639 | 14,808,965 | 12,385,238 | 12,385,238 |
| 3722-9005 | Housing authorities for certain reduced rentals, Elderly Projects | | G.L.121B, § 40 | 2,900,181 | 3,206,692 | 4,108,500 | 6,551,048 | 5,000,000 | 5,000,000 |
| 3722-9006 | Housing authorities for certain reduced rentals, Family Housing | | G.L.121B, § § 5-32, 34-37 | 7,750,000 | 7,988,549 | 9,869,000 | 14,420,972 | 11,932,172 | 11,932,172 |
| 3722-9007 | Reserve for extraordinary maintenance of a housing authority | | — — — — — — | — | 575,189 | — | 1,000,000 | 500,000 | 500,000 |
| 3722-9013 | Housing allowance program | *—Federal* | — — — — — — | — | *2,965,875* | *7,807,495* | *9,000,000* | *9,000,000* | *9,000,000* |
| 3722-9020 | New construction program, operating subsidy, HUD Section 111 | *—Federal* | — — — — — — | — | — | *2,637,033* | *3,500,000* | *3,500,000* | *3,500,000* |
| 3722-9101 | Federal aided urban renewal projects | | G.L.121B, § § 54, 55 | 3,453,354 | 3,453,354 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 |
| 3722-9102 | Non-Federally aided urban renewal projects | | G.L.121B, § § 54, 56, 57 | 985,000 | 985,000 | 985,000 | 1,000,000 | 985,000 | 985,000 |
| 3722-9201 | M.H.F.A. interest subsidy | | 1970, 855 | 8,085,500 | 8,085,500 | 9,825,000 | 9,825,000 | 9,267,588 | 9,267,588 |
| | | —State | | $36,882,796 | $36,980,769 | $43,305,239 | $55,272,485 | $47,720,998 | $47,720,998 |
| | | *—Federal* | | *$ —* | *$ 2,965,875* | *$10,444,528* | *$12,500,000* | *$12,500,000* | *$12,500,000* |

| Item No. | Organization Unit | Fund | Citation of Statute | 1977 Approp. | 1977 Expenses | 1978 Approp. | 1979 Agency Req. | 1979 Sec'y Recom. | 1979 Gov. Recom. |
|---|---|---|---|---|---|---|---|---|---|
| | **COMMUNITIES AND DEVELOPMENT — *Concluded*** | | | | | | | | |
| | **DIVISION OF COMMUNITY SERVICES** | | | | | | | | |
| 3732-3021 | Urban Planning Assistance Grants — P90 | *—Federal* | | $ — | *$ 15,744* | *$ 5,000* | *$ 5,000* | *$ 5,000* | *$ 5,000* |
| 3735-9013 | Reimburse public agencies state share relocation costs state sanitary code | | 1973, 863 | — | — | — | 25,000 | 25,000 | 25,000 |
| | | —State | | $ — | $ — | $ — | $ 25,000 | $ 25,000 | $ 25,000 |
| | | *—Federal* | | *$ —* | *$ 15,744* | *$ 5,000* | *$ 5,000* | *$ 5,000* | *$ 5,000* |
| | **TOTAL, COMMUNITIES AND DEVELOPMENT** | —State | | $36,882,796 | $36,980,769 | $43,305,239 | $55,297,485 | $47,745,998 | $47,745,998 |
| | | *—Federal* | | *$ —* | *$ 2,981,619* | *$10,449,528* | *$12,505,000* | *$12,505,000* | *$12,505,000* |
| | **HUMAN SERVICES** | | | | | | | | |
| | **VETERANS' SERVICES** | | | | | | | | |
| 4170-0400 | Veterans' benefits | | G.L.115, § 6 | $7,300,000 | $10,284,640 | $4,200,000 | $11,075,050 | $10,200,000 | $10,200,000 |
| 4170-0500 | Aid to needy dependents of veterans | | 1963, 537 | 10,000 | 4,700 | — | — | — | — |
| | | —State | | $ 7,310,000 | $10,289,340 | $ 4,200,000 | $11,075,050 | $10,200,000 | $10,200,000 |
| | **PUBLIC WELFARE** | | | | | | | | |
| 4401-2000 | Tuition and transportation of children | | | $2,500,000 | $2,500,000 | $800,000 | $900,000 | $800,000 | $ 800,000 |
| | **BUREAU OF HEALTH SERVICES** | | | | | | | | |
| 4513-2200 | Care of infants prematurely born | | | $ — | $ — | $ 25,000 | $ 25,000 | $ 25,000 | $ 25,000 |
| | **TOTAL, HUMAN SERVICES** | —State | | $9,810,000 | $12,789,340 | $5,025,000 | $12,000,050 | $11,025,000 | $11,025,000 |
| | **TRANSPORTATION AND CONSTRUCTION** | | | | | | | | |
| 6005-0011 | Additional contract assistance to M.B.T.A. | | | $52,370,000 | $52,370,000 | $56,950,000 | $66,550,000 | $66,550,000 | $66,550,000 |
| 6005-0012 | Debt service contract assistance to M.B.T.A. | | | | 20,433,735 | 20,500,000 | No request submitted | | 24,700,000 |
| 6005-0013 | Reimbursement to M.B.T.A. — motor vehicles and fuel excises | | | | 405,572 | 425,000 | No request submitted | | 400,000 |
| 6005-0014 | Reimbursement of common carriers of passengers — motor vehicle and fuel excises | | | | 645,762 | 775,000 | No request submitted | | 775,000 |
| 6005-0015 | Contract assistance — regional transit authorities | | | | 2,003,608 | 2,868,640 | No request submitted | | 3,900,000 |
| 6005-0016 | Contract assistance to cities and towns — special bus subsidies | | | | 146,655 | — | | | |
| 6005-0017 | Payments to cities and towns — special gas tax | *—Highway* | | | 25,700,000 | 25,043,000 | No request submitted | | 25,405,000 |

| Item No. | Organization Unit | Fund | Citation of Statute | 1977 Approp. | 1977 Expenses | 1978 Approp. | 1979 Agency Req. | 1979 Sec'y Recom. | 1979 Gov. Recom. |
|---|---|---|---|---|---|---|---|---|---|
| | **TRANSPORTATION AND CONSTRUCTION — *Concluded*** | | | | | | | | |
| 6034-0001 | Chapter 90 projects | —*Highway* | G.L.90, § 34 | $ - | $ 1,913,916 | $ | $ | $ -- | $ -- |
| 6034-0003 | Reimbursements to cities and towns for installation of traffic control devices | —*Highway* | G.L.90, § 33 | | 104,170 | | | -- | — |
| 6034-0007 | Payments to cities and towns for reconstruction and maintenance | —*Highway* | 1974, 825, §§ 3, 9 | 18,469,803 | 18,469,803 | - | | - | — |
| 6034-0008 | Highway Mass Transportation aid for fringe MBTA communities | | | 2,500,000 | 2,491,000 | 2,500,000 | 1,250,000 | 1,250,000 | 1,250,000 |
| 6034-0009 | Payments to cities and towns for reconstruction and maintenance | | | | — | 18,469,803 | 18,469,803 | 18,469,803 | 18,469,803 |
| 6034-0010 | Reimbursement to cities and towns of Berkshire, Hampshire and Hampden Counties | —*Highway* | 1977, 300 | 384,800 | 384,800 | -- | - | — | — |
| 6034-0011 | Reimbursement to New Marlboro - Flood damage | —*Highway* | 1977, 721a | | | 50,000 | | — | — |
| | **TOTAL, TRANSPORTATION AND CONSTRUCTION** | State | | **$73,724,603** | **$125,069,021** | **$127,581,443** | **$86,269,803** | **$86,269,803** | **$141,449,803** |
| | **EDUCATIONAL AFFAIRS** | | | | | | | | |
| | **BOARD OF LIBRARY COMMISSIONERS** | | | | | | | | |
| 7000-9401 | Regional public libraries | | G.L.78 § 19C | $ 2,566,982 | $ 2,566,982 | $ 2,610,489 | $ 2,610,489 | $ 2,593,345 | $ 2,593,345 |
| 7000-9501 | Public libraries | | G.L.78 § 19A | 2,160,031 | 2,074,612 | 2,218,142 | 2,218,142 | 2,212,142 | 2,212,142 |
| 7000-9701 | School library resource material program | —*Federal* | | | *748,743* | | | — | |
| 7000-9703 | Interlibrary cooperation LSCA Title III | —*Federal* | | | *21,483* | *72,879* | *75,000* | *75,000* | *75,000* |
| 7000-9704 | Public library building construction Title II | —*Federal* | | | *50,024* | — | — | — | — |
| 7000-9705 | LSCA Program Title I | —*Federal* | | | *1,461,053* | *1,513,508* | *1,500,000* | *1,500,000* | *1,500,000* |
| | | —State | | $ 4,727,013 | $ 4,641,594 | $ 4,828,631 | $ 4,828,631 | $ 4,805,487 | $ 4,805,487 |
| | | —*Federal* | | *$ —* | *$ 2,281,303* | *$ 1,586,387* | *$1,575,000* | $ 1,575,000 | *$ 1,575,000* |
| | **BOARD OF EDUCATION** | | | | | | | | |
| | **OFFICE OF THE COMMISSIONER** | | | | | | | | |
| 7010-0012 | Racial imbalance programs | | G.L.76, §§ 12, 12A | $ 5,750,000 | $ 5,866,336 | $ 5,900,000 | $ 7,600,000 | $ 7,000,000 | $ 7,000,000 |
| 7010-0017 | Reimbursement to towns Metco Program | | | -- | - | 400,000 | — | — | -- |
| 7010-0042 | Magnet educational programs | | 1974, 698 | 3,000,000 | 3,000,000 | 3,000,000 | 4,500,000 | 3,000,000 | 3,000,000 |
| 7010-0043 | Equal education improvement fund | | G.L.15, § 1 | 6,000,000 | 6,000,000 | 6,000,000 | 6,000,000 | 6,000,000 | 6,000,000 |
| | | —State | | $14,750,000 | $14,866,336 | $15,300,000 | $18,100,000 | $16,000,000 | $ 16,000,000 |

| Item No. | Organization Unit | Fund | Citation of Statute | 1977 Approp. | 1977 Expenses | 1978 Approp. | 1979 Agency Req. | 1979 Sec'y Recom. | 1979 Gov. Recom. |
|---|---|---|---|---|---|---|---|---|---|
| | **EDUCATIONAL AFFAIRS — *Continued*** | | | | | | | | |
| | **DIVISION OF OCCUPATIONAL EDUCATION** | | | | | | | | |
| 7027-0010 | Vocational school reimbursement | | G.L.74, § 9 | $39,803,000 | $39,803,000 | $41,733,000 | | See Account 7061-0008 | |
| 7027-0011 | Tuition reimbursement | | G.L.74, § 10 | 1,494,987 | 1,494,987 | 1,567,987 | | See Account 7061-0008 | |
| 7027-0012 | Instructors' salary reimbursement | | G.L.74, § 12 | 125,000 | 125,000 | 169,000 | | See Account 7061-0008 | |
| 7027-0013 | County vocational schools, reimbursement | | G.L.74, § 11 | 1,700,000 | 1,700,000 | 1,790,000 | | See Account 7061-0008 | |
| 7027-0014 | Outside vocational school transportation | | G.L.74, § 8A | 273,756 | 273,756 | 333,756 | — | 436,305 | 436,305 |
| 7027-0016 | Vocational education reimbursements | | | — | — | — | 75,700,000 | See Account 7061-0008 | |
| 7027-9001 | Smith-Hughes & Barden Acts | *—Federal* | | — | *9,560,802* | *13,000,000* | *14,000,000* | *14,000,000* | *14,000,000* |
| 7027-9002 | Career educational process for handicapped | *—Federal* | | — | *171,818* | *171,818* | *172,000* | *172,000* | *172,000* |
| 7027-9020 | M.D.T.A. — training program | *—Federal* | | — | *226,134* | — | — | — | — |
| 7027-9710 | Vocational education personnel training | *—Federal* | | — | *263,519* | *115,000* | *120,000* | *120,000* | *120,000* |
| | | —State | | $43,396,743 | $43,396,743 | $45,593,743 | $75,700,000 | $ 436,305 | $ 436,305 |
| | | *—Federal* | | $ — | *$10,222,273* | *$13,286,818* | *$14,292,000* | *$14,292,000* | *$14,292,000* |
| | **DIVISION OF SPECIAL EDUCATION** | | | | | | | | |
| 7028-0801 | Services — handicapped children in institutions | *—Federal* | | $ — | *$ 6,238,044* | *$ 6,620,000* | *$ 6,700,000* | *$ 6,700,000* | *$ 6,700,000* |
| 7028-1001 | Training teachers of handicapped children | *—Federal* | | — | *234,759* | *160,000* | *160,000* | *160,000* | *160,000* |
| | | *—Federal* | | $ — | *$ 6,472,803* | *$ 6,780,000* | *$ 6,860,000* | *$ 6,860,000* | *$ 8,860,000* |
| | **DIVISION OF CURRICULUM AND INSTRUCTION** | | | | | | | | |
| 7032-0402 | Education of children — low income families | *—Federal* | | $ — | *$ 417,125* | *$ 524,633* | *$ 550,000* | *$ 550,000* | *$ 550,000* |
| 7032-1702 | Drug education training program | *—Federal* | | — | *595* | — | | — | — |
| 7033-1908 | Non-food assistance program | *—Federal* | | — | *662,513* | *677,000* | *677,000* | *677,000* | *677,000* |
| 7035-0004 | Transportation of pupils | | G.L.71, §§ 7A, 16C, 37 D | 49,130,836 | 49,130,836 | 33,000,000 | 63,900,000 | 33,000,000 | 33,000,000 |
| 7035-0005 | Transportation of pupils — common carriers | | G.L.71, § 7B | — | 664,085 | | 700,000 | 700,000 | 700,000 |
| 7035-0010 | Education of children — low income family assistance | *—Federal* | | — | *35,506,030* | *38,152,384* | *40,000,000* | *40,000,000* | *40,000,000* |
| 7035-0011 | Special grants — urban and technical schools | *—Federal* | | — | *1,896* | | | — | — |
| 7035-0012 | Program for neglected and delinquent children | *—Federal* | | — | *382,146* | *382,486* | *400,000* | *400,000* | *400,000* |
| 7035-0013 | Education of the handicapped | *—Federal* | | — | *3,607,541* | *5,000,000* | *5,000,000* | *5,000,000* | *5,000,000* |
| 7035-0015 | Educational program — children of migratory agricultural workers | *—Federal* | | — | *784,890* | *1,597,360* | *1,600,000* | *1,600,000* | *1,600,000* |

| Item No. | Organization Unit | Fund | Citation of Statute | 1977 Approp. | 1977 Expenses | 1978 Approp. | 1979 Agency Req. | 1979 Sec'y Recom. | 1979 Gov. Recom. |
|---|---|---|---|---|---|---|---|---|---|
| | **EDUCATIONAL AFFAIRS** — *Continued* | | | | | | | | |
| | **DIVISION OF CURRICULUM AND INSTRUCTION** — *Concluded* | | | | | | | | |
| 7035-0017 | Supplemental educational centers -- ESEA, Title III | —*Federal* | — — — — — — | $ — | *$1,708,098* | $ — | $ — | $ — | $ — |
| 7035-0018 | Follow-through State Technical assistance program | —*Federal* | — — — — — — | | *18,924* | *17,094* | *17,100* | *17,100* | *17,100* |
| 7036-1201 | School library resource material program | —*Federal* | — — — — — — | | (See Account 7000-9701) | | | | |
| 7036-1401 | Regional public libraries | | G.L.78, § 19C | | (See Account 7000-9401) | | | | |
| 7036-1501 | Public libraries | | G.L.78, § 19A | | (See Account 7000-9501) | | | | |
| 7036-1601 | Interlibrary cooperation – LSCA— Title III | —*Federal* | — — — — — — | | (See Account 7000-9703) | | | | |
| 7036-2001 | Public library building construction — Title II | —*Federal* | — — — — — — | | (See Account 7000-9704) | | | | |
| 7036-2201 | LSCA Program — Title I | —*Federal* | — — — — — — | | (See Account 7000-9705) | | | | |
| 7037-0002 | Supplemental educational centers — ESEA, Title III | —*Federal* | — — — — — — | $ — | $ *52,921* | $ — | $ — | $ — | $ — |
| 7038-0002 | Adult basic education — Title III — PL89-750 | —*Federal* | — — — — — — | — | *1,704,616* | *1,904,088* | *2,000,000* | *2,000,000* | *2,000,000* |
| | | —State | — — — — — — | $49,130,836 | $49,794,921 | $33,000,000 | $64,600,000 | $ 33,700,000 | $ 33,700,000 |
| | | —*Federal* | — — — — — — | *$ —* | *$44,847,295* | *$ 48,255,045* | *$ 50,244,100* | *$ 50,244,100* | *$ 50,244,100* |
| | **DIVISION OF SCHOOL FACILITIES** | | | | | | | | |
| | **SCHOOL BUILDING ASSISTANCE** | | | | | | | | |
| 7052-0002 | Construction of school projects | | 1976, 511 | $100,000,000 | $109,742,874 | $ — | $ — | $ — | $ — |
| 7052-0004 | First annual payments | | 1976, 511 | — | — | 7,000,000 | 9,150,846 | 4,852,344 | 4,852,344 |
| 7052-0005 | Annual payments and other | | 1976, 511 | — | — | 103,000,000 | 107,568,566 | 107,740,213 | 107,740,213 |
| 7052-0006 | Payments — grants reimbursements | | 1976, 511 | — | — | 1,000,000 | 950,000 | 950,000,000 | 950,000 |
| | **OTHER** | | | | | | | | |
| 7053-1908 | School breakfast program | | 1970, 871 | — | — | — | 1,907,378 | 1,907,378 | 1,907,378 |
| 7053-1909 | School lunch program | | 1970, 871 | 6,736,798 | 7,036,799 | 6,976,800 | 6,988,000 | 6,988,000 | 6,988,000 |
| 7053-1910 | Lunch program for the elderly | | G.L.15, § 1L | 736,756 | 666,241 | 736,756 | 736,756 | 736,756 | 736,756 |
| | | —State | — — — — | $107,473,554 | $117,445,914 | $118,713,556 | $127,301,546 | $123,174,691 | $123,174,691 |
| | **DIVISION OF STATE AND FEDERAL ASSISTANCE** | | | | | | | | |
| 7061-0003 | Regional School District | | G.L.71, § 16D | $ 29,843,804 | $ 29,843,803 | $ 25,000,000 | $ 39,600,000 | $ 38,441,069 | $ 38,441,069 |
| 7061-0008 | Reimbursements to cities, towns and regional school districts | | G.L.70, §§ 71A, 71B | 452,000,000 | 452,000,000 | 454,900,000 | 761,100,000 | 583,500,000 | 583,500,000 |
| 7061-0009 | Tuition for state wards | | G.L.76 §§ 7 & 9 | — | — | — | — | 2,500,000 | 2,500,000 |
| 7061-0010 | Special needs recreation program | | G.L.71B | — | — | — | — | 550,000 | 550,000 |
| 7061-0011 | Other transportation | | G.L.71A, 71B | — | — | — | — | 12,500,000 | 12,500,000 |

| Item No. | Organization Unit | Fund | Citation of Statute | 1977 Approp. | 1977 Expenses | 1978 Approp. | 1979 Agency Req. | 1979 Sec'y Recom. | 1979 Gov. Recom. |
|---|---|---|---|---|---|---|---|---|---|
| | **EDUCATIONAL AFFAIRS — *Concluded*** | | | | | | | | |
| 7062-0001 | Special milk fund | —*Federal* | | — | *5,484,686* | *5,100,000* | *5,202,000* | *5,202,000* | *5,202,000* |
| 7062-0002 | Special assistance funds | —*Federal* | | — | *24,029,819* | *25,400,000* | *28,608,000* | *28,608,000* | *28,608,000* |
| 7062-0003 | Community school lunch program | —*Federal* | | — | *16,017,320* | *18,000,000* | *20,000,000* | *20,000,000* | *20,000,000* |
| 7062-0004 | School breakfast program | —*Federal* | | — | *4,219,465* | *4,860,000* | *5,832,000* | *5,832,000* | *5,832,000* |
| 7065-0002 | Plan and evaluate educational programs and projects | —*Federal* | | — | *6,373* | | | | |
| | | —State | | $481,843,804 | $481,843,803 | $479,900,000 | $ 800,700,000 | $637,491,069 | $637,491,069 |
| | | —*Federal* | | $ — | *$ 49,757,663* | *$ 53,360,000* | *$ 59,642,000* | *$ 59,642,000* | *$ 59,642,000* |
| | **TOTAL, EDUCATIONAL AFFAIRS** | —State | | $701,321,950 | $711,989,311 | $697,335,930 | $1,091,230,177 | $815,607,552 | $815,607,552 |
| | | —*Federal* | | $ — | *$113,581,337* | *$123,268,250* | *$ 132,613,100* | *$132,613,100* | *$132,613,100* |
| | **MANPOWER AFFAIRS** | | | | | | | | |
| 9000-1701 | C.E.T.A. Programs, disbursement to cities and towns | —*Federal* | | $ — | (1) | *$ 153,800,000* | *$ 96,100,000* | *$ 96,100,000* | *$ 96,100,000* |
| | **ELDER AFFAIRS** | | | | | | | | |
| 9110-9002 | Community programs for the aging | | | $ 100,000 | $ 100,000 | $ 100,000 | $ 247,250 | $ 247,250 | $ 200,000 |
| | **TOTAL, LOCAL AID** | —State | | $961,959,880 | $1,027,767,344 | $1,055,159,668* | $1,404,529,724* | $1,119,043,759 | $1,175,233,309* |
| | | —*Federal* | | $ — | *$ 120,530,133* | *$ 308,184,178* | *$ 261,488,500* | *$ 247,218,100* | *$ 261,488,500* |

(1) Federal expenditures shown in "Agency Operations" Section, Items in the Item Number Series 9000-1010 through 9000-1608.

*Details include Local Aid Fund which is excluded from the totals.

**Explanation of Increases, Decreases or Deletions**
**(G.L. 29, s.6)**

The following basic guidelines are followed in determining the recommendations that appear as "Governor's Recommendations":

— recomputation of amounts necessary to fulfill the state's obligations under existing statute.

— an administration policy decision to emphasize assistance to cities, towns and regions.

— an administration policy to emphasize educational assistance in contrast to peripheral educational assistance, e.g., school transportation.

For the above reasons, there are accounts where increases, decreases or deletions appear in the recommendations of the Governor as compared to the recommendations of the Secretary. In addition to the above reasons there are, in some cases, other reasons for which explanations follow.

Account 3722-9002: Assistance for Veterans' Housing Projects. The sale of publicly financed project (Athol 200-1) transfers the debt service responsibility of this project to the State Treasurer and this account is adjusted accordingly.

Account 3722-9004: Rental Assistance for Low Income Families. Data processing consultant services are not recommended and the total rent subsidy is reduced because of (a) an over-estimate of funding necessary for Massachusetts Housing Finance Agency projects and (b) a large carry-over of funds from fiscal year 1978 into fiscal year 1979.

Account 3722-9006: Housing Authorities for Certain Operating Deficits. Since statutory authorization must be obtained to pay utility costs where such costs are not part of the monthly rental, funding for such an allownace is not recommended. In addition a capital reserve for repairs is not included and it is assumed that such repairs can be accommodated from the proceeds of the modernization bond fund. Finally there is no funding recommended this year for increased tenant services.

Account 3722-9201: M.H.F.A. Interest Subsidiary. The improvement in the Authority's financing capability and subsequent lower interest rates allows a lower recommendation.

Account 3735-9013: Reimburse Public Agencies State Share Relocation Costs. Sufficient funding is recommended for the current backlog. Funds have not been appropriated for the prior three years.

Account 4170-0400: Veterans' Services, Veterans' Benefits. The recommendation is based on the historical spending level of the past several fiscal years.

These accounts are recommended at the correct level for appropriation in accordance with the executive/legislative policy previously established of recommending the appropriation of all items subsequently expended or distributed.

Account 6005-0012: Contract Assistance to MBTA
Account 6005-0013: Reimburse fuel taxes, MBTA
Account 6005-0014: Reimburse fuel taxes, other carriers
Account 6005-0015: Contract Assistance Regional Transit Authorities
Account 6005-0017: Special Gas Tax, Cities and Towns

# PERSPECTIVE OF THE CITIES AND TOWNS

The materials in this section were compiled and submitted for publication by the Massachusetts League of Cities and Towns.

TheBeacon
A Publication of the Massachusetts Municipal Associations July, 1978 Vol. IV No. 10

# Budget Passed

## Legislature Enacts New Local Aid Program

### But Tax Reform Still Needed

After many weeks of legislative debate and a prolonged conference committee process, the legislature has adopted the FY 1979 state budget with a major package of increased state aid to municipal government. The municipal associations are publicly praising the legislature for their work on the local aid portion of the budget. Almost $300 million is included in the package, most of it in three major parts:

- $150 million additional aid to education. The Chapter 70, special education, bilingual and vocational education aid programs will be managed through one combined formula;
- $80 million additional for immediate full assumption of county court costs;
- $30 million additional through the lottery formula ($60 million total).

**"Significant and Balanced"**

While the legislative process at times appeared incredibly complicated, the senators and representatives have produced a package of considerable merit. The municipal associations have called repeatedly over the past several months for a local aid program which is *significant*, in terms of catching-up for the shortages in state aid over the past three years, and which is *balanced*, in terms of addressing the needs of all municipalities, large and small, urban and rural. To a degree perhaps unexpected, the legislature has produced such a program; it is *significant* in amount, and it is *balanced* in effect.

**Not A Tax Reform Program**

But in lauding the FY 1979 program, we cannot fail to point out what it is *not*. The LGAC, in its March report on the Governor's local aid proposals, commented that ". . . THE PROGRAM IS NOT TAX REFORM. It will be of great help in curtailing property tax increases in this next fiscal year. However, only a small number of communities would realize enough new money to enable reduction of local taxes. The level of property taxes is already so high ($3 billion) that even the significant amount of new assistance proposed will only keep property taxes from going much higher. The problem is basically overdependence on the property tax, not municipal overspending. The local property tax in Massachusetts raises more than 50% of *all* state and local government revenues, the national average is 35%."

What has happened between March and now leads us to believe that a larger number of communities will be able to reduce local property taxes for fiscal 1979; and the inclusion in the budget of a Local Aid Fund to receive 40% of the growth in the

state's sales, income and corporate taxes earmarked for local aid in future years is at least part way toward our continued objective of a state revenue sharing program. Reform of the continued imbalance in our state/local tax structure is still to be accomplished, but the 1978 session has taken some significant steps: in reordering state and municipal responsibilities (court assumption); in achieving a fairer state share of aid to elementary and secondary education ($150 million represents an approximate 30% dollar increase in state aid to education over last year—aid to education had been virtually constant since 1975, the state's share falling from 32% to 27% in that period, one of the lowest state shares in the nation); and in greater use of the lottery formula as an equitable and *predictable* way to distribute state aid (over $100 million will be received by municipal governments through this formula, $60 million from the legislative appropriation and about $50 million from the lottery itself; this is almost 10% of all of the "Cherry Sheet" funds to be received).

**Mandates Will Reduce Amount Available for Tax Relief**

In signing the budget, the Governor said that "We will be keeping a very close eye to see that these local aid funds are used for property tax relief." So will every selectman, mayor, councilior and finance committee member in the Commonwealth. But it would be misleading for anyone to suggest that the whole $300 million could be reflected in reduced local property taxes. Some of the $300 million is connected specifically with mandated spending (e.g., increased MBTA assistance matched by increased municipal assessments for the deficit, and elderly abatement liberalization). Some of it already is committed by the legislature to pay for higher spending (part of the court cost funding is meeting new FY 1979 court expenditures voted by the legislature, rather than past county tax assessments). There are other items in the state budget and other state laws which require municipal spending without any state funding, and part of the increased local aid thus will have to cover such costs (for example, the 6½% cost of living increase for retirees is in this category).

So it is not and cannot be a simple dollar for dollar match between state aid and local property taxes. Further complications arise because part of the education funding goes to regional school districts whose assessments on member municipalities may not drop in the same amount as the increased aid simply because of inflation-forced budget increases. New federal mandates, such as unemployment compensation, are forcing higher municipal budgets. The non-recurrence of last year's one-time special education adjustment will wipe out for some communities part of the anticipated local aid increases in other items. And the lottery distribution itself may be down 5-10% on the new Cherry Sheet estimate compared to the FY 1978 Cherry Sheet estimate, perhaps a decrease of $5 million having an impact on property tax calculations.

The Department of Corporations and Taxation has set July 31 as the target date for Cherry Sheets. The number of major changes which will appear on it suggests that municipal officials should review it in detail and clarify any uncertainties before calculating a tax rate for the year.

# Close-ups on The Budget

- **Additional Distribution Using Lottery Formula**
  $60 million distribution using the lottery formula. As $30 million was included in last year's Cherry Sheet as "additional assistance" and as nothing in the distribution formula changes for FY 1979, this item simply should be double last year's.

- **School Aid**
  The new school aid distribution structure was described in detail in the March Beacon. It combines four current programs into one distribution; uses weightings for pupils in specific programs which are intended to approximate the statewide average cost differential between different kinds of education programs; uses equalized valuation *per capita*, rather than per school attending child; calculates an entitlement figure based on the previous year's statewide *average* operating expense, rather than the former range of 80% minimum, 110% maximum of statewide average; and establishes a minimum guarantee of 107% of the FY 1978 aid amount (an approximation is 7% more than the sum *actually* received against the FY 1978 Cherry Sheet lines A15, B1, B2, B3 less any transportation cost in these items). This difference between last year's Cherry Sheet used to set the FY 1978 tax rate and *actual* receipts is very important since there were many significant downward adjustments in special education *actual* distributions and the 7% factor is applicable to the amount *received* in FY 1978, not to the Cherry Sheet estimate!).

  The new formula is *not* fully funded to meet a 35% statewide average support level, nor is future underfunding precluded. Refer to the March Beacon for a description and analysis of the formula.

- **Court Cost Assumption**
  For FY 1979, the funds appropriated for court cost assumption will go to counties in direct proportion to court expenditures of *FY 1977*. Thus, FY 1978 municipal assessments for county court costs may not be completely offset and it is possible that FY 1979 court costs might be higher than the $88 million appropriated. The reduced assessments from the county benefit municipalities in proportion of equalized valuation wealth as a share of the county total.

  In FY 1980, court costs will become a direct part of the state budget.

- **Local Aid Fund**
  A Local Aid Fund is established to receive 40% of the state's sales, income and corporate taxes. Local Aid appropriations, subject still to legislative action each year, would be made from, but not limited to, this fund. It provides in effect for a 40% sharing with municipal government of the growth in the state's three major tax sources which in recent years have grown $200 million per year *without* tax rate increases but rather from economic growth. It has the potential to represent a long-range approach toward reducing our excessive dependence on the property tax without crippling municipal government services through a potentially irrational tax limitation approach.

- **Circuit Breaker**
  The Governor vetoed the $50 million item as not providing equitable or efficient tax relief, but rather representing an additional spending program with the need for a large administrative bureaucracy. The municipal associations agree with the Governor's action.

- **Deficiency Budget**
  The shortfall in the FY 1978 lottery distribution was made up in a deficiency budget approved on July 7th. Staff followed this item through the Bureau of Accounts to insure that the checks would go out as soon as possible and be counted as FY 1978 income. The Bureau and the Commissioner of Corporations and Taxation responded quickly and affirmatively to our concerns.

  The deficiency budget also included $8 million in regional school district aid to meet 100% of the entitlement, and these funds should be reflected in reduced assessments on regional district members.

# Massachusetts Advocate

July 25, 1978
Volume 2 Number 15 Fifty Cents


## New Aid Will Ease Local Tax Pressure

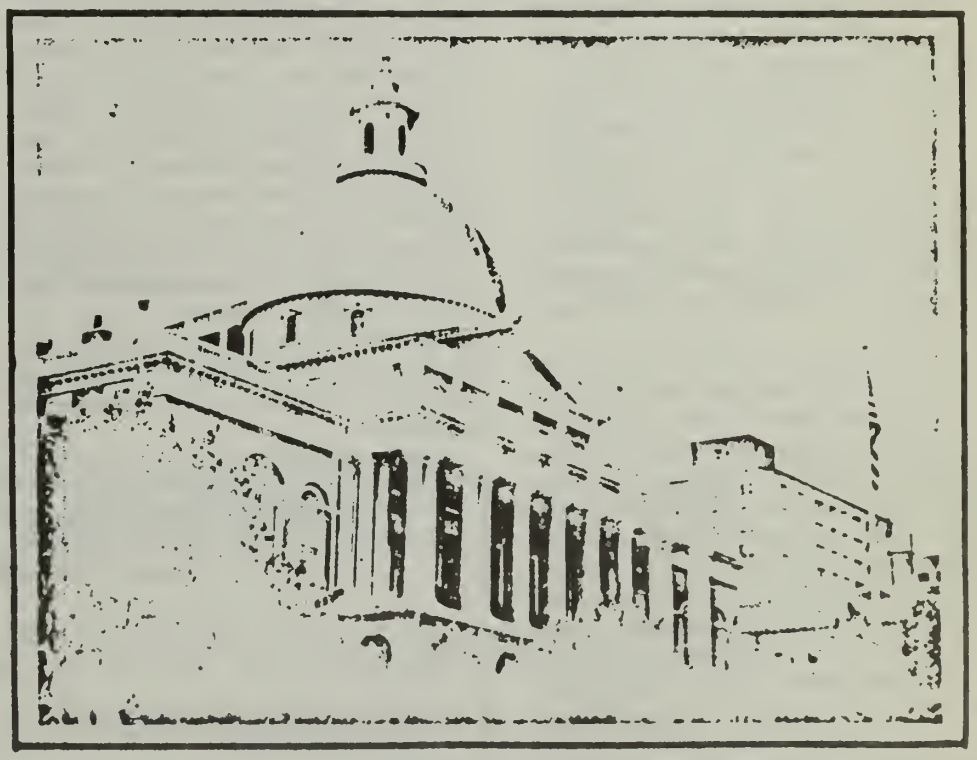
*by Anthony T. Logalbo*

Almost $300 million in increased local aid is included in the new budget for fiscal 1979, signed by the governor on July 10. This package of assistance to municipal governments is the product of months of legislative debate and the diligence of municipal government officials. Most of the new money falls under one of three sections:

- $150 million additional aid to education. Distributions under Chapter 70, special education, and bilingual and vocational education aid programs will be made through one comprehensive formula.
- $80 million additional for immediate state assumption of county court costs.
- $30 million additional to be distributed under the lottery formula.

An additional significant item in the new budget is the establishment of a local aid fund, which will receive 40 percent of future state revenues from sales, income, and corporate taxes. Local aid appropriations, still subject to legislative action each year, would be made from, but not limited to, monies in this fund. The plan provides, in effect, for a 40 percent sharing with municipal government of the growth in the state's three major tax sources--sources that have grown in recent years at an annual rate of $200 without tax rate increases, but as a result of economic growth. The new fund may represent a long-range approach toward reducing excessive dependence on the property tax.

While the new local aid package will help municipalities in catching up for the shortages in state aid during the last three years and strikes a balance in terms of addressing the needs of all municipalities—large, small, urban, and rural—it is not a tax reform program. The Local Government Advisory Committee, commenting on the governor's local aid proposals in its March state budget report, said that "...it [the proposed budget] will be of great help in curtailing property taxes in this next fiscal year. However, only a small number of communities would realize enough new money to enable reduction of local taxes. The level of property taxes is already so high—$3 billion—that even the significant amount of new assistance proposed will only keep property taxes from going much higher. The problem, basically, is overdependence on the property tax, not municipal overspending. The local property tax in Massachusetts raises more than 50 percent of all state and local government revenues; the national average is 35 percent."



*Although the legislature may be called back to the Capitol for a special session, its major work for this year has been completed/ photo by Daniel Soyer.*

### *Taking a Closer Look*

Understanding the potential impact of the increased state aid package requires an understanding of what the new aid is for, where it is going, and what is happening to municipal budgets. The difficulty at the local level is that part of the new "aid" is related directly to increases in mandated expenditures. State and federal requirements for local spending continue to rise and town meetings and

*continued on page three*

# *Analysis:* What Constitutes Genuine Tax Reform?

*continued from page one*

city councils do not have complete authority over all local spending decisions.

Part of the new state aid, for example, is allocated for increased MBTA and other regional transit authority deficits, which are matched by increased assessments against the municipalities in each district. $10 million is allocated to help cover lost local property tax revenues due to the state legislature's enactment of increased abatements for the elderly. A sizeable part of the increased funding of county court costs will be offset by increases in other county appropriations, which are still assessed to municipalities. No state funding is provided for the state legislature's provision of a 6.5 percent increase for retirees of county and municipal government.

A significant portion of the increased education aid will go to regional academic and vocational schools rather than directly to municipalities. Whether regional school assessments will decrease is entirely up to the regional school district committees. As in the case of municipal school committees, regional committees have fiscal autonomy. Confusing the picture further for many cities and towns is the significant impact of audit adjustments made last year and again this year by the Department of Education primarily in special education distributions. In fact, Senate Bill #1654, passed this session, enables the department to go back beyond two years to make adjustments of amounts already received by municipalities as long ago as fiscal 1975.

### *Controlling Local Expenditures*

Municipal budgets—financed by local revenues, state aid, and federal general revenue sharing—total approximately $4.5 billion statewide. This seems a large figure, but on a per capita basis Massachusetts cities and towns are not out of line with national averages. Municipal governments do not make grants to other levels of government; they do not impose spending requirements on other levels of government. Most of a local budget is devoted to basic services: police and fire protection, sanitation, water and sewers, primary education, street lights, sanitation, snow removal, and others. These are services that it is difficult to provide more efficiently than they are currently being provided in most communities.

The effect of inflation on municipalities is severe and it is not limited to salaries, although personnel costs represent 70 to 80 percent of most local budgets. No state law proposes to limit the price that utilities charge for the electricity to keep street lights and traffic signals working. No one proposes to freeze the costs of health insurance. The advocates of limiting property tax levies are not addressing the real problem of rising local government costs. Failure to confront that problem while placing a cap on municipal revenues will result in the elimination of services in order to finance increasing fixed or mandated spending.

A modest inflation rate of 5 percent would require $225 million in new state aid if property tax levy increases are to be avoided. After eliminating from the new budget those increased distributions that are offset by new spending requirements it appears that a "hold the line" posture is what the legislature has in fact achieved this year. It is a significant achievement, but it leaves to the future the task of reforming our tax structure, removing mandated responsibilities, and placing greater budget authority in the hands of local legislative bodies. It is only through these measures that we can begin to relieve property tax payers of the burden of paying for services that the property tax was never intended to finance.

*Contributing Editor Anthony T. Logalbo is on the staff of the Massachusetts League of Cities and Towns. He specializes in state and local financial affairs.*

## FISCAL 1979 BUDGET — LOCAL AID ITEMS

*(figures indicate millions of dollars)*

| CATEGORY | Total 1979 appropriation | Increase over fiscal 1978 |
|---|---|---|
| LOTTERY FORMULA DISTRIBUTION (*not lottery funds*) | $60 | $30 |
| SCHOOL AID (*Chap. 70, Chap. 766, voc. & bilingual ed.*) | 633.5 | 150 |
| COURT COST ASSUMPTION | 88 | 80 |
| ELDERLY ABATEMENT | 10 | 10 |
| MBTA | 62.8 | 10 |
| SPECIAL ED., MEDICAL | 10 | 10 |
| URBAN RENEWAL AID | 7.9 | 4.4 |
| OTHER ITEMS | — | 2.1 |
| TOTAL INCREASES OVER FISCAL 1978 | | $296.5 |

*OTHER BUDGET NOTES*

The $50 million proposed to privide direct rebates to property tax payers (Mass. Fair Share's "circuit breaker" plan) was vetoed by the governor.

The Department of Corporations and Taxation says that cherry sheets will be mailed to municipalities by July 31. Due to the number of changes in this year's distributions, communities are urged to review and clarify the figures on the cherry sheets.

Massachusetts
League of
Cities & Towns

131 Tremont Street
Boston, Mass. 02111

Massachusetts
Selectmen's
Association

(617)426-7272

July 18, 1978

Mr. Lawrence Fitzmaurice
Commissioner
Department of Corporations and Taxation
Saltonstall Building
100 Cambridge Street
Boston, Massachusetts 02202

Dear Commissioner Fitzmaurice:

We are already being beseiged with calls from municipalities concerning sketchy information in the press to the affect that they will be receiving less cherry sheet aid in FY 1979 than last year.

It appears to us that many municipalities will not be conscious of several important factors when they look at the receipt side of their cherry sheet:

1. Part of the "aid" is in the form of reduced county tax assessments.

2. Last year's special education and Chapter 70 adjustments (lines B4 and B5) will not recur. For most communities, this will in fact be a boost, but for recipients of increased special education aid last year, it will be a loss in funds available to calculate the tax rate.

3. Last year's adjustments for 1977 special education and bilingual payments will not recur, and there will be further special education adjustments appearing on <u>this</u> cherry sheet.

4. Some of the increased education aid will be received by regional academic and vocational school districts rather than directly by the municipality, hopefully leading to reduced assessments for FY 1979.

5. Senate #1654 permits certain additional special education and school aid adjustments retroactive beyond existing statutory audit adjustment time limits which will have a further impact on the monies available for the FY 1979 tax rate calculation in a number of municipalities.

6. Historically, there have been very significant under and over-estimates of county tax assessments. The difference between any under-estimate appearing in the FY 1979 cherry sheet, in addition to the impact of any

growth in county budgets for FY 1979 could offset part of the benefit of court cost assumption.

In some counties, municipalities had to pay additional county tax assessments in FY 1978 which were not estimated on the FY 1978 cherry sheet. These additional assessments will have to be added on the FY 1979 tax levy and again will offset the benefit of court cost assumption.

There may be additional reasons why a direct comparison of the FY 1978 and FY 1979 receipt and assessment sides of the cherry sheet will not present a total picture, and we are certain that your department is well aware of these complications.

We are endeavoring to inform municipal officials about these matters, and wish to urge also that your letter transmitting the cherry sheets also discuss these points in sufficient detail. We would like to request further that a copy of the transmittal letter and the cherry sheet be sent to the chief executive and to the treasurer of each municipality. Considering the magnitude of this year's changes and the lateness of the cherry sheet transmittal, we feel that this request will facilitate a more rapid dissemination of the cherry sheet information.

Thank you for your consideration of these matters.

Sincerely,

Kennedy Shaw
Executive Director
Mass. League of Cities & Towns

Richard T. Howe
Executive Director
Mass. Selectmen's Association

at

cc: Governor Dukakis
Members of the Local Government Advisory Committee

LAURENCE D. FITZMAURICE
COMMISSIONER

# The Commonwealth of Massachusetts

Department of Corporations and Taxation
Leverett Saltonstall Building
100 Cambridge Street, Boston 02204

July 28, 1978

Mr. Kennedy Shaw
Executive Director
Mass. League of Cities & Towns
6 Beacon Street
Boston, Massachusetts 02108

Mr. Richard T. Howe
Executive Director
Mass. Selectmen's Association
6 Beacon Street
Boston, Massachusetts 02108

Gentlemen:

This is in reply to your letter of July 18, relative to the Fiscal 1979 Cherry Sheets.

Thank you for your constructive suggestions in outlining many of the factors that impart upon the amount of state aid that cities and towns will receive during this fiscal year. Our staff in conjunction with Administration and Finance is making an extra effort to present these facts to the communities in as much detail as possible in our transmittals to the cities and towns as well as in other releases.

In order to get wider dissemination of this year's Cherry Sheet, we will send copies to the chief executive and treasurer of each municipality, as requested. Although this will entail a significant additional cost to the Department, I agree with you that the number of changes in state aid and the resulting delay in issuance make such wider distribution desirable.

I appreciate your continued interest and valuable counsel in these matters affecting cities and towns.

Sincerely,

L. D. Fitzmaurice

Commissioner of Corporations
and Taxation

LDF:NLM:rr

The BEACON

municipal news and information

official publication of the massachusetts league of cities and towns

The BEACON | April 10, 1978 | Vol. IV No. 7

# THE TIME HAS COME STATE/LOCAL REVENUE SHARING

A new school aid formula...full state takeover of county court costs in one year...a "circuit breaker" mechanism...While all these local aid proposals are being debated by the legislature, the municipal associations are using every means to insure that a state/local revenue sharing formula is part of whatever local aid package finally emerges from the 1978 session.

More than 200 municipal officials attending the March 11th Legislative Conference reaffirmed their strong support for the central piece of legislation filed by the municipal associations in this session -- H. 914, An Act to Create a State/Local Revenue Sharing Plan

This legislation would provide for an equal sharing between municipal government and the state government of the growth each year in state tax revenues from sales, personal and corporate income taxes. The municipal 50% share would be used equally for local education costs and municipal general government costs. Distribution of available state revenue sharing funds to cities and towns would be modeled after the federal general revenue sharing formula.

The proposed legislation is significantly different from both the Governor's Local Aid Fund and the legislative leadership's plan to takeover county court costs fully in one year. Municipal government needs the revenue sharing mechanism in addition to any other local aid formula which is adopted because:

- No other proposal creates a statutory mechanism that would give cities and towns funds without annual appropriation votes by the legislature. Cities and towns would be guaranteed a relatively stable amount of local aid each year;

- No other proposal guarantees that a specific amount of local aid will be used for non-education general government costs;

- This proposal would plug local aid into growth taxes - state sales, personal and income taxes. Unlike local property tax revenues, revenues from growth taxes increase with general economic growth even without raising the rate of taxation;

- This proposal would reduce the reliance of cities and towns on the local property tax by shifting some of the burden onto growth taxes.

The accompanying tables illustrate what municipal governments would have realized from a revenue sharing approach in just three years if H. 914 had been enacted in 1976.

The tables clearly show that, in FY 1979, cities and towns would have received over $260 million through the revenue sharing distribution. For the three-year period, almost $500 million would have gone through this program.

The local aid level for FY 1979 would have been over $100 million above the level proposed in the Governor's FY 1979 budget.

Growth of Selected State Taxes,
FY 1976 - FY 1979 (millions)

| | 1976 Actual | 1977 Actual | 1978 Estimate | 1979 Estimate |
|---|---|---|---|---|
| Personal Income | $1,216,149 | $1,190,996 | $1,330,000 | $1,472,000 |
| Sales | 347,863 | 441,878 | 508,800 | 539,000 |
| Corporate Income | 271,145 | 323,730 | 333,000 | 345,000 |
| Total: | $1,835,157 | $1,956,604 | $2,171,800 | $2,356,000 |

% Increase in state tax revenues from these sources 1976 - 1979: 28.4%

If the Municipal Revenue Sharing proposal had been enacted in 1976, what would the impact have been?

(millions)

| | FY 1977 | FY 1978 | FY 1979 |
|---|---|---|---|
| Growth of state tax revenue: | $121,447 | $215,196 | $184,200 |
| 50% to municipal government (amount over prior year) | $ 60,723.5 | $107,598 | $ 92,100 |
| Cumulative amount distributed through Revenue Sharing program | | $168,321.5 | $260,421.5 |

*Why Revenue Sharing? Why not something else?*

No other approach addresses so many different but complementary objectives without requiring increases in the rates of state taxes. No state tax rate increases are proposed or required to implement the State/Local Revenue Sharing Plan. No other approach meshes as well with the state's economic development objectives, by encouraging better management by municipal governments through a sharing o the benefits of economic growth. No other approach promises a continued future flow of some new money every year for the cities and towns, which is in reality a long-term approach to reduce the excessive reliance we now place on the property tax.

The municipal association plan goes beyond the current cherry sheet system of reimbursements and provides for distribution of new money each year in a new way. This plan would permit municipal governments to estimate and project future amounts from revenue sharing far more accurately than they can now predict amounts from cherry sheet projections. Unlike the proposal for state takeover of county court costs in one year, the revenue sharing formula would also leave sufficient funds available to address other local government needs, including:

- reform of the school aid distribution formula;
- reimbursement of costs for general relief medical care for communities now paying the bill for this former state responsibility;
- reimbursement for property tax revenues for cities and towns from increased tax abatements for the elderly voted by the legislature.

The municipal associations have emphasized a willingness to alter the proposed starting date of the revenue sharing plan to FY 1980, and to consider potential distribution formulas other than the federal government revenue sharing formula. But the municipal associations have been clear that the statutory enactment of a revenue sharing plan must occur NOW. All local officials are urged to phone or write your legislators and ask them to support H. 914. Discuss the revenue sharing plan with your residents and ask them to join in the lobbying effort. The time has come!

OFFICE OF THE TOWN MANAGER

Donald R. Marquis
Town Manager

730 Massachusetts Avenue
Telephone 643-6700

Town of Arlington
MASSACHUSETTS 02174

MEMO TO: Local Government Advisory Committee (LGAC)

FROM: Donald R. Marquis, Town Manager

DATE: June 20, 1978

SUBJECT: Constitutional Admendment Regarding The Property Tax And Other Related Matters

As some of you may know, Governor Dukakis appointed me a member of the Special Commission on Mandated Programs to study the real affects and burden those programs have on the property tax. The commission consists of three senators, seven representatives, and five at-large members appointed by the Governor. This commission has held several hearings across the state to hear from citizens and municipal officials regarding mandated programs, property tax reform, and other municipal matters. The message has been loud and clear: Both citizens and municipal officials are tired of big extravagant governments and they particularly blame state mandated programs and state interference for the high property tax rates across the state.

With the advent of Proposition 13 in California, the legislature is now moving to cap municipal expenditures ignoring the real cause of the high property tax. The state mandated programs and the fact that the property tax has been used to finance far too many governmental programs and services.

As a member of the Special Commission on Mandated Programs, I wish to indicate to the LGAC what my recommendation will be to that commission. When the commission meets next week, I intend to recommend that the state constitution be changed as follows:

1. That all existing state mandated programs be abolished and that new ones be prohibited in the future unless the total cost of same is financed by the state.

2) That a local control provision be established whereby all local appropriations be made by the city councils in the cities and the town meeting bodies in the towns. Consequently, the local legislative bodies (city councils and town meeting bodies) would have the final say over all expenditures including the school budget. It would also eliminate the forced spending brought about by such things as final and binding arbitration.

3) That the state be obligated to fund all state agencies such as the MBTA, MDC, and the County in addition to the state agencies that it funds currently.

4) That a local aid provision be established whereby 50% of all revenues collected by the state from the income tax, corporate tax, and the sales tax be automatically returned to the cities and towns based on an appropriate formular such as population.

In addition to the suggested constitutional change above, since this is an election year at the federal and state levels, that we attempt to gain support from the various candidates running for office for a complete takeover of the welfare program by the federal government. This not only makes sense socially and politically but it would give the state the necessary revenues to do the four points mentioned above.

Finally, as you know, there is a move, nationally, to forced the federal government to balance its budget through a federal constitutional change. We, in Massachusetts, should support that and make it an election issue.

These are my thoughts as an municipal official and a member of the Governor's Special Commission on Mandated Programs. I would urge you to do the following:

1) Seriously consider my proposal now and hopefully endorse it or something similar to it, but at least discuss with the Governor th general ideas and the concept.

2) If you think it has merit, go back to your respective municipal associations and try to gain your association's support for this view.

3) All municipal associations working together should try to persuade the legislature to support this proposal or a similar proposal and begin now the process of admending the state constitution.

4) Finally, if we need to, begin the process of having the people accomplish the above by initiating the appropriate constitutional change to accomplish what we want.

Thank you.

Very truly yours,

Donald R. Marquis
Town Manager

DRM/kw

THE MASSACHUSETTS SELECTMAN

VOLUME XXXVII WINTER, 1978 NUMBER 1

# THE LOCAL PROPERTY TAX: STATISTICS IN PERSPECTIVE

*Sales, service, and miscellaneous other taxes are commonly levied in other states to increase local revenues. In Massachusetts, however, municipal officials are forced to raise property taxes when more money is needed to support local services. In this article, Anthony Logalbo takes a close look at the local tax structure in Massachusetts and presents another view of the current crisis with the property tax. Mr. Logalbo is Director of Administrative Services for the Massachusetts League of Cities and Towns, and the Massachusetts Selectmen's Association, where he specializes in municipal budget and finance matters.*

Across the Commonwealth, and particularly in the corridors of the State House attention is riveting on the problem of the property tax. It is indeed a problem--the highest in the nation by a wide margin. It is perhaps a more severe problem in the central cities than in the suburban and rural areas--the 39 cities levied 52% of all property taxes in fiscal 1977 with just 35% of all equalized valuations—but it truly is a problem facing every community. And the generally high level of property taxation threatens the Commonwealth's economic development progress.

The Massachusetts Growth Policy Report, *City and Town Centers: A Program for Growth*, stated the problems succinctly:

"The level and growth rate of property taxes in Massachusetts is simply too high, and as a result, the negative characteristics of the tax are magnified: its undesirable effects on land use patterns; its regressive effects on households and individuals; its dampening effects on real estate investment; its unresponsiveness to economic growth without continual reassessments; and the disparities the tax fosters among communities' public service levels. Furthermore, unpredictable pressures are imposed on the property tax by certain expenditures over which localities exert limited control: school costs, unfunded state mandated programs, regional assessments, for example. These concerns constitute a broad mandate for tax reform."

The report of the Task Force on Capital Formation for Economic Development (Mass. Dept. of Commerce and Development) had earlier made a similar observation:

"The high and volatile property tax rate of older areas has discouraged economic development." . . . "The root problem [is] the excessive reliance on the property tax . . ."

"Excessive reliance" is a much different concept than "municipal overspending". Yet it often seems to local executive officials that they bear the brunt of criticism about the high level of property taxes without having the necessary statutory tools to govern their spending, without public understanding of the impact of state and federal actions, and indeed without any compelling evidence that the underlying problem is the level of spending at all!

Let's set forth a few facts and straightforward observations.

*What is the evidence of "excessive reliance"?* Writing in the November 1977 issue of *Governmental Finance*, Lennox Moak discussed the table of data which accompanies this article.

Using 1973-74 Census Bureau data, this table clearly shows both the overburden on the property tax and the lack of any significant revenues for Massachusetts local

governments from any other local sources. Updating the figures to 1977-78 would not show any significant changes. The data from other states show us that municipalities across the country have far more diversified local tax structures and that they are not dependent on increased state aid. It stands to reason that one way the property tax could be reduced to comparable levels in Massachusetts would be to diversify sources of local revenue.

*Is a $200 million growth in property tax levies cause for alarm?* Perhaps—but numbers, even seemingly large numbers, cannot be understood by themselves but only in relationships. It is important to realize that $200 million represents about a 7% growth in levies—certainly not an astounding increase. And state taxes will have increased by $200 million this year also—but without the onus of a rate increase since the state tax system has the virtue, during times of economic vitality and inflation, of producing more money automatically. While property taxes were increased 71% between 1970 and 1977, state tax revenues were increased 112%! And the federal budget increased 100%. Perhaps cause for alarm on all fronts?

While the comparisons offer some indications that local officials have been doing a creditable job of holding down local property taxes, we must bear in mind several important elements to understand fully the property tax situation:

*First.* A good part of the growth in state and federal taxes has occurred as a result of economic growth.

**PER CAPITA GENERAL REVENUE SOURCES OF LOCAL GOVERNMENTS, 1973-1974**
**UNITED STATES AND SELECTED STATES**

| | Total General Revenue | Intergovernmental General Revenue | General Revenue From Own Sources | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Total | Taxes | | Sales & Gross Receipts | Income | Other Taxes | Current Charges & Misc. Receipts |
| | | | | Total | Property | | | | |
| Per Capita Revenues | | | | | | | | | |
| United States— | | | | | | | | | |
| All Local Governments | 622.04 | 259.01 | 363.03 | 267.35 | 219.75 | 17.51 | 11.42 | 18.67 | 95.69 |
| Alabama | 386.47 | 195.39 | 191.08 | 98.69 | 41.40 | 26.84 | 4.17 | 26.28 | 92.42 |
| California | 882.40 | 375.98 | 506.42 | 380.95 | 326.46 | 32.64 | — | 21.84 | 125.47 |
| Massachusetts | 618.41 | 173.48 | 444.93 | 386.55 | 383.43 | — | — | 3.12 | 58.38 |
| New York | 1135.47 | 522.69 | 612.78 | 482.06 | 342.12 | 66.22 | 44.43 | 29.29 | 130.72 |
| Ohio | 507.64 | 173.60 | 334.04 | 236.95 | 183.88 | 5.18 | 39.82 | 8.08 | 97.11 |
| Percentage Distribution | | | | | | | | | |
| United States— | | | | | | | | | |
| All Local Governments | 100.00 | 41.6 | 58.4 | 43.0 | 35.3 | 2.8 | 1.8 | 3.0 | 15.4 |
| Alabama | 100.00 | 50.6 | 49.4 | 25.5 | 10.7 | 6.9 | 1.1 | 6.8 | 23.9 |
| California | 100.00 | 42.6 | 57.4 | 43.2 | 37.0 | 3.7 | — | 2.5 | 14.2 |
| Massachusetts | 100.00 | 28.1 | 72.0 | 62.5 | 62.0 | — | — | 0.5 | 9.4 |
| New York | 100.00 | 46.0 | 54.0 | 42.5 | 30.1 | 5.8 | 3.9 | 2.6 | 11.5 |
| Ohio | 100.00 | 34.2 | 65.8 | 46.7 | 36.2 | 1.0 | 7.8 | 1.6 | 19.1 |

Source: *Governmental Finance*, November, 1977

Local governments in Massachusetts do not share in the "growth" taxes—sales and income.

*Second.* Taxes on property (real estate, personal property and motor vehicle) continue to bear an inordinate share of the total state/local tax bill—slightly more than 50%!

*Third.* Massachusetts continues to bear the highest property tax burden in the country, both on a per capita basis and in relation to personal income levels.

We have a long way to go to bring property tax levies down to ranges competitive with other states or even to reasonable if still high levels. To achieve this objective will require substitution of new revenues—new local revenue-raising authority, new state aid and/or new federal aid—to take the place of property taxes. While Massachusetts property tax rates remain at such high levels, it would not be prudent policy to legislate reductions in progressive state taxes rather than relief for regressive property taxes. Available dollars should be allocated to that part of the state/local tax system which is most severely overburdened and most clearly thwarts the potential of the entire state for future

economic development—the property tax.

*Are increases in local budgets legitimate?* It is suggested that municipal budgets have been increasing faster than the consumer price index. Since the bulk of local government spending is for personal services and since real wages both public and private have kept ahead of inflation, this is not very surprising. Add to this the damage done by state and federal laws mandating expenditures without providing the funds and we have the simple equation of municipal spending requirements outstripping growth of the property tax base.

During an inflationary period, such as the present, consumers must spend more every year for the same goods and services. Inflation affects governmental services too, requiring consumers to pay more each year for the same police and fire protection, street repair, libraries, schools, parks, garbage collections and all the other everyday tasks of local government. Clearly, revenue needs can rise each year legitimately. This is not the issue. What is at issue is whether or not the property tax is being made to shoulder too great a share and what adverse consequences are being felt in the Commonwealth by this overburden.

*Is local aid the state's attempt to curb costs?* How can this be true when the predominant portion of local aid is reimbursement for spending which is required by law? Only the lottery revenue qualifies as true property tax relief and this is less than 2% of property tax levies!

Tax reform, if it is ever to occur, means shifting. It can mean simply seeking more state and federal aid, but this route to tax reform is laced with danger for we have learned by now that money never flows without strings. Or it can mean revenue diversification at the local level. Ideally it will mean both. Increased state aid alone will not automatically reduce property taxes. Increased aid must be accompanied by *state* discipline regarding mandated expenditures; by *state* action to provide local executive officials the tools they need to manage their spending, including, authority over regional agencies funded by local taxes and authority over all aspects of municipal operations; and by *local* commitment to use the management tools proffered.

# FINANCING PUBLIC EDUCATION

# IN MASSACHUSETTS

The materials in this section were compiled and submitted for publication by the Massachusetts Department of Education.

STATE AID TO EDUCATION IN MASSACHUSETTS

Descriptions of Specific Aid Programs

A. Aid to Education: Chapter 70

The new Chapter 70, enacted by the legislature as part of the FY79 state budget, replaces the old Chapter 70 aid, vocational education aid, special education aid and transitional bilingual education aid programs. It incorporates these other aid programs by using pupil weights to reflect varying costs among educational programs. The new Chapter 70 also uses a new measure of fiscal ability (ability to pay for education) based on equalized valuation per capita rather than equalized valuation per pupil. Another major difference between the old and new Chapter 70 is that the new system is not a reimbursement formula but rather a current-funding formula based on current year's enrollments. Unlike the old Chapter 70 aid, the new aid will be distributed directly to regional school districts as well as to cities and towns.

The new Chapter 70 formula is:

$$\text{Aid for a local school district} = \left[1 - \left(\text{local support percentage} \times \text{local valuation percentage}\right)\right] \times \text{Sum of weighted FTE pupils in current fiscal year} \times \text{Statewide average current operating expenditures per pupil in regular day program in previous fiscal year}$$

Local support percentage -- This is the percentage (sometimes labelled "p" in the formula) of local aidable expenditures which is to be assumed by a local district which has the same equalized valuation per person as the statewide average. Proration will no longer be an issue in school aid distribution since this percentage will be determined, in each fiscal year, according to the amount appropriated for school aid in that year. In FY79, with an appropriation of $633.5 million, "p" is equal to .8656. (Chapter 70, Section 2, paragraph 12)

Local valuation percentage -- This variable measures the relative wealth of each school district. It equals:

$$\frac{\text{local equalized valuation per person}}{\text{equalized valuation per person in the Commonwealth}}$$

Equalized valuation is equivalent to the full market value of real property in a city or town. Equalized valuation per person is calculated by dividing the total value of all taxable property (in either the city or town or in the entire Commonwealth) by the population (of either the city or the town or of the Commonwealth) as determined in the latest state or federal census.

The local equalized valuation per person for a regional school district is determined by multiplying the equalized valuation per person of each member city and town by the percentage of pupils attending the regional school who are residents of that member city or town. The sum of these products for all the member cities and towns becomes the equalized valuation per person for the regional school district.

Thus, if a school district's equalized valuation per person equals the statewide average valuation per person, the valuation percentage will equal 1.0. The poorer a district is, relative to the statewide average, the lower the valuation percentage. Wealthier districts will have valuation percentages greater than 1.0. (Chapter 70, Section 2, paragraph 21)

Sum of weighted FTE pupils in current year -- The sum of all the weighted full-time equivalent pupils in all programs in a school district. A weighted full-time equivalent pupil is a full-time equivalent pupil enrolled in any program during the current fiscal year, multiplied by the pupil weight cost index for that program. The pupil weights established under the law for pupils enrolled in each program are as follows:

| | |
|---|---|
| Regular day program. . . . . | 1.0 |
| Transitional bilingual program . . . . . | 1.4 |
| Special needs programs (including regular education program with modifications, regular education with no more than 25% time out, regular education with no more than 60% time out, substantially separate, home and hospital, day program and pre-school program prototypes) . . . . . | 4.0 |
| Special needs residential program prototype. . . . | 6.3 |
| Vocational education program (day program only). . | 2.0 |
| Each pupil whose family income is below the poverty level as determined by the Department of Education in accordance with regulations issued under Title I of the Federal Elementary and Secondary Education Act* is counted as one full-time equivalent pupil in whatever program or programs he or she is enrolled plus an additional FTE pupil with a pupil weight of. . . . . | .0 2 |

Private school pupils, for whom municipalities are legally required to provide funds for textbooks and physical examinations (under Chapter 71, Sections 48 and 57) and handicapped children attending private schools who must receive special education services at the expense of the state (under Section 613 of the Federal Education for all Handicapped Children Act of 1975) will also be counted as fractional FTE pupils; the fraction will be the total amount thus expended during the previous fiscal year divided by the average current operating expenditure per pupil in regular day program in the Commonwealth. (Chapter 70, Section 2A, paragraph 2)

Pupils in other school programs (regular evening, regular vacation, adult education and adult civic education ) and in occupational evening and adult practical arts programs will be counted as weighted FTE pupils in regular day programs in the same way: the total instructional expenditures for these programs during the previous fiscal year plus all tuition payments for the programs and minus all tuition revenues for the programs will be divided by the average current operating expenditure per FTE pupil in regular day program in the Commonwealth during that same year. The result will be used as the number of FTE pupils to be added to the sum of weighted full-time equivalent pupils in distributing aid during the following year.

* The Department currently uses the number of pupils receiving AFDC payments who are enrolled in each district. This procedure is approved by the U.S. Department of H.E.W.

Children living in institutions who attend public schools will also be counted as fractional FTE pupils in cases where aid received under Section 11 of Chapter 76 is insufficient to cover instructional costs. The numerator of the fraction will be equal to expenditures for instructional services during the previous fiscal year after deducting aid received under Section 11 of Chapter 76 and the denominator will be the average current operating expenditure per regular day pupil in that year.

Statewide average current operating expenditure per pupil in a regular day program in the previous fiscal year -- The total amount spent for regular day program in the previous fiscal year excepting expenditures for transportation, regional school district assessments, food for food services and capital outlay and subtracting receipts for tuition, federal aid, any other receipts or gifts and the proceeds of any invested funds but not excluding aid from the Commonwealth or payments of current operating assessments to regional school districts by member cities and towns; divided by the total of all FTE pupils enrolled in regular day program in that same year. (Chapter 70, Section 2, paragraph 2)

The save-harmless provision in the new Chapter 70 states that a school district's aid entitlement under Chapter 70 must be at least 107% of the prorated aid due in FY1978 under the following aid programs:

(old) Chapter 70
Chapter 71A, Sections 4 and 8
Chapter 71B, Section 13, paragraph 1
Chapter 74, Sections 9, 10, 11 (except transportation) and 12

A minimum expenditure requirement will be in effect in every school district beginning in the third year after the year in which the state share first reaches .35 or 35%, and in every year thereafter. The "state share" is defined as the total amount of Chapter 70 aid paid under the new formula during a fiscal year, divided by the total amount of expenditures for all pupils in all programs in the entire state during that same year. The minimum expenditure level will be equal to 85% of the statewide average direct service expenditure per pupil in regular day program during the previous fiscal year multiplied by the number of weighted FTE pupils in the district in the current fiscal year. This minimum expenditure must be spent within the expenditure categories included in the definition of "direct service expenditures," that is: instructional, attendance, health and food services and fixed charges. This figure specifically excludes expenditures for costs of administration, athletic and other student body activities, plant operation and maintenance, capital outlay, transportation and food for food services. (Chapter 70, Section 7)

Chapter 70 aid will be paid in four quarterly payments. The first payment, which must equal at least 25% of each district's total entitlement, will be made by September 15. The second and third payments, to be made by December 15 and April 15, may be in any amounts so long as 75% of the total amount has been paid by April 15. The balance must be paid by June 15. (Chapter 58, Section 18A)

B. Aid to Education: Categorical Grants

Categorical grants are individual programs of state aid for specific types of educational expenditures. The major categorical grants are described in alphabetical order below.

Regional School Aid (Chapter 71, Section 16D) -- Towns which joined regional academic or vocational school districts received 15% of their Chapter 70 aid payment as a bonus for regionalizing prior to the distribution of aid during FY 1976. Chapter 492 of the Acts of 1974, and Chapter 436 of the Acts of 1975, which amended Chapter 71, Section 16D of the Gnneral Laws, provide for a new pattern of regional school district aid distribution starting in the FY 1976 distribution year. Regional school districts rather than their member cities and towns are now entitled to receive such aid. The calendar cycle of expenditure and reimbursement of regional school aid was changed as well in the same way as noted above for Chapter 70 aid. Therefore, there is now up to a two year lag between local expenditure and eventual state reimbursement. In addition, regional school aid is now computed according to a modified Chapter 70 percentage equalizing formula, based on a district's reimbursable expenditures and its school aid percentage.

The computation of a district's reimbursable expenditures is subject to the same upper and lower limits (110% and 80% respectively of the statewide average reimbursable expenditure per child in net average membership) appearing in the Chapter 70 formula.

There is an additional clause which required that the equalized valuation be used in the computation of the aid entitlement of any city or town only during FY 1976 and FY 1977 not be greater than twice the equalized valuation of such city or town as of January 1, 1973.

The new formula also retains the 15% lower limit upon a district's school aid percentage appearing in the current Chapter 70 formula, although it omits the 75% maximum. In addition, it distinguishes between fully and partially regionalized school districts, granting the former a higher aid entitlement than the latter, according to the following formula:

$$\left[\begin{array}{l}\text{Regional}\\ \text{District's}\\ \text{Reported}\\ \text{Reimbursable}\\ \text{Expenditures}\end{array}\right] \times \left[1.00 - .65 \left(\frac{\text{Average equalized valuation per SAC of member towns}}{\text{Average equalized valuation per SAC of all regional school districts in the entire state}}\right)\right] \times \left[\begin{array}{l}\text{(a) .50 (partial regional)}\\ \text{(b) .70 (full regional)}\end{array}\right]$$

Thus, the regional valuation percentage is computed as follows: the total equalized valuation of all cities and towns in the regional school district, divided by the total number of school attending children in public and private schools anywhere but residing in all cities and towns in the district (Chapter 72, Section 2A), is in turn divided by the average equalized valuation per school attending child in all the cities and towns which are members of regional school districts in the entire Commonwealth. This percentage is then multiplied by 65%, and the result subtracted from 100% to

produce an aid percentage. This percentage, which as stated above cannot be less than 15%, is then multiplied by the regional school districts reported reimbursable expenditures, limited as set forth above. Fully regionalized school districts (K-12) are entitled to an aid entitlement equal to 70% of the amounts so computed, while all partially regionalized school districts are entitled to 50% of these amounts.

Chapter 71, Section 16D regional school aid is an appropriated item. In FY 1974 the total amount distributed as aid to cities and towns under this program was $17,269,494.

School Construction Aid (Chapter 645, (1945)* -- Aid to local school districts for capital expenditures and debt services was, until FY 1977, the largest single state categorical aid program. At present, only the programs of state aid under Chapters 70 and 71B, (i.e., Chapter 766) distribute greater amounts of reimbursements. In FY 1975, a total of $112,574,000 million was distributed under this program. School districts receive a percentage of the approved cost of constructing or remodeling a school building. Approved cost includes: fees, site development, construction, capital debt service, and original equipping of the school.

Prior to July 1, 1975, districts received 65% of the cost of construction if they were in an area of substantial or persistent unemployment. As defined by the statute (Chapter 707 of the Acts of 1968), all but 57 towns qualified for 65% aid in FY 1975. Regional school districts received 65% reimbursement if 60% of their member towns were in areas of substantial or persistent unemployment. Towns which were not members of regional school districts and which did not qualify for 65% grants received between 50% and 65% of their costs for construction depending on their property wealth per pupil relative to the state average, computed as set forth below:

$$\text{Aid Percentage} = .25 \left[ \frac{\text{equalized valuation per child in net average membership/state}}{\text{equalized valuation per child in net average membership/local}} \right]$$

The aid percentage so computed could not exceed 65% nor be less than 50%.

Regional school districts not qualifying for 65% reimbursement as areas of substantial or persistent unemployment as outlined above were assigned a construction aid percentage determined by the following formula:

$$\text{Aid Percentage} = .33 \left[ \frac{\text{statewide equalized valuation per child in net average membership in all regional school districts in the Commonwealth}}{\text{equalized valuation per child in net average membership in the regional school district}} \right]$$

The construction aid percentage so determined was not allowed to exceed 65% nor fall below 35%.

In 1974, the legislature enacted Chapter 492 which, as amended in 1975,

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* See Note on pp. 104-107.

changed Chapter 645, and affected state aid to construction projects in cities or towns, on the one hand, and in regional school districts, on the other, approved after July 1, 1975. The former category of projects are now given a state construction grant aid percentage which is 50% of the quotient determined by dividing the most recently reported equalized valuation per school attending pupil in the particular school district by the equalized valuation per school attending pupil in all cities and towns in the state. The total grant, however, may not be less than 50% nor more than 65% of the approved cost of the project.

Construction grants for school projects in any fully regionalized school district (K-12) are computed by taking 60% of the same ratio specified above, except that; (a) the equalized valuation for a regional school district is computed as the total of the equalized valuations of the member municipalities, divided by the total number of school attending pupils residing in those cities and towns; and, (b) the numerator is the average equalized valuation per school attending pupil for all regional school districts in the entire state. The total grant, however, may not be less than 60% nor more than 75% of the approved cost of the project.

The total construction grant for a regional school district which does not include grades K-12 is 50% of the same ratio specified in the preceding paragraph. This grant as well is limited to not less than 50% nor more than 65% of the approved cost of the project.

To receive state aid, cities and towns appropriate money for the entire cost of building or remodeling a school. The entire amount may be raised by bond. The state pays to the town its share of bond principal and interest in equal annual installments throughout the period of repayment. School construction aid too is an appropriated item. Prior to FY 1976, there was a separate appropriation for state reimbursement for local expenditures incurred in renovating or rehabilitating existing buildings. In FY 1975, $3,000,000 was distributed under this program. This program has now been incorporated within the general school construction aid program.

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NOTE: The enactment of Chapter 302 of the Acts of 1976 in August of that year further amended the School Building Assistance Act (Chapter 645 of the Acts of 1948). This statute for the first time requries that the legislature annually fix a maximum on the amounts which may be committed (i.e., reserved) during that same fiscal year for the first annual reimbursement payments in any future fiscal year to cities, towns, regional school districts, and counties for a portion of their previous expenditures for school construction as well as any for interest payments. The limitation is implemented by requiring the State Board of Education to restrict the sum of the first annual state reimbursement payments for all school construction projects which it may approve during that year. Approval of projects aimed at reduction of racial imbalance or segregation are to be considered separately against a separate limitation on the commitment of funds. The decision as to which regular projects are to be approved is now based on the following four criteria, listed in order of priority:

1. Replacement of unsound or unsafe buildings
2. Prevention of or elimination of overcrowding

3. Prevention of the loss of accreditation
4. Replacement of or remedying obsolete buildings

The statute also requires that the projects to be approved must be in the best interests of the Commonwealth as well as those of the city, town, county, or regional school district.

The act also made certain changes in some of the formulas to be used in computing such grants. When determining the final approved construction cost of any approved project, 75% of any interest earned on the temporary investment before actual expenditure of the amounts borrowed to finance the project through the issuance of bonds or notes must be deducted. The minimum and maximum percentages of that portion of the grant to cities and towns intended as partial repayment of interest costs are now set at 65% and 40% respectively of 50% (previously 100%) of the interest costs. The Commonwealth's contribution toward construction projects for cities and towns is now limited to a maximum of 65% and a minimum of 50%. For fully regionalized school districts, the state's contribution toward the final approved cost of construction is limited to a minimum of 60% and a maximum of 75%. The approved costs of construction for partial regional school districts are now reimbursed using the same formula as that used for cities and towns. Expenditures for interest payments continue to be aided on the basis of 100% of such costs, applying the same formula for all regional school districts as that used for cities and towns.

Finally, 75% of the final approved cost of construction plus 75% of the full interest costs for projects which could serve to reduce racial imbalance or segregation are reimbursed.

As mentioned above, the amount to be reimbursed annually by the Commonwealth is determined by dividing the total amount of the grant by the number of years over which the indebtedness is to be repaid. The limitation referred to in the opening paragraph is applied to the first annual payment so determined which takes place during the fiscal year immediately following that in which construction is actually begun.

None of the changes outlined above affected any project approved by local vote prior to August 23, 1976, and then approved by the Board of Education after that date. Finally, the School Building Assistance Program was itself renewed through June 30, 1981.

The formulas currently applied are summarized below:

A] Cities and Towns
1 - Debt Retirement (i.e., Repayment of Principal)

$$= \boxed{.50} \times \left[\frac{\text{equalized valuation per school attending child-state}}{\text{equalized valuation per school attending child-local}}\right] \times \left[\text{final approved construction cost}\right]$$

Aid Percentage

(minimum = 50%)
(maximum = 65%)

2 - Debt Service (i.e., Interest Payments)

$$= \underbrace{[.50]}_{\text{Aid Percentage}} \times \left[\frac{\text{equalized valuation per school attending child-state}}{\text{equalized valuation per school attending child-local}}\right] \times [\text{50\% of total interest cost}]$$

(minimum = 40%)
(maximum = 65%)

B] Regional School Districts

(Fully Regionalized K - 12)

1 - Debt Retirement (i.e., Repayment of Principal)

$$= \underbrace{[.60]}_{\text{Aid Percentage}} \times \left[\frac{\text{equalized valuation per school attending child-state}}{\text{equalized valuation per school attending child-local}}\right] \times [\text{final approved construction cost}]$$

(minimum = 60%)
(maximum = 75%)

2 - Debt Service (i.e., Interest Payments) = the same formula as that used for cities and towns, but based upon 100%, not 50%, of such costs.

(Partially Regionalized)

1 - Debt Retirement (i.e., Repayment of Principal) = the same formula as that used for cities and towns

2 - Debt Service (i.e., Interest Payments) = the same formula as that used for cities and towns, but based upon 100%, not 50%, of such costs.

C] County Schools

1 - Debt Retirement (i.e., Repayment of Principal)

$$= [.50] \times [\text{final approved construction cost}]$$

2 - Debt Service (i.e., Interest Payments) = exactly the same formula as that used for cities and towns

D] Construction Projects Aimed at Decreasing Racial Imbalance or Segregation

1 - Debt Service (i.e., Repayment of Principal)

$$= \left[.50\right] \times \left[\begin{array}{c}\text{approved} \\ \text{construction} \\ \text{cost}\end{array}\right]$$

2 - Debt Service (i.e., Interest Payments)

$$= \left[.75\right] \times \left[\begin{array}{c}\text{100\% of total} \\ \text{interest costs}\end{array}\right]$$

School Lunch (Chapter 548, 1948) -- The state aids local school districts and private schools in providing school food services. State money is used to match federal and local money for local programs. The stated contribution varies according to the number and type of meals provided.

Assistance is available for:
school Type A lunches
school breakfasts
special milk program
elderly feeding program

State school lunch assistance is composed of various appropriation. The total amount distributed under the largest of these FY 1975 was $6,593,000.

Transportation

The Commonwealth supports a substantial portion of the cost of transporting public school pupils - $46,998,456 in FY 1975. There are two general transportation reimbursement programs as well as several special aid programs for transporting students for specific purposes.

Local school districts receive reimbursements under Chapter 71, Section 7A for expenses incurred in providing privately contracted transportation services to students who live at least 1 1/2 miles from the schools which they attend. School districts receive 100% of approved transportation service expenditures in excess of $5 per pupil in net average membership (i.e., enrolled in public or private schools within the city or town). Cities and towns maintaining a public transportation system which is used to transport school children are eligible for reimbursement under Chapter 71, Section 7B for part of their direct and indirect costs, up to a maximum of 20¢ per eligible rider per day. Rider reimbursement eligibility is again subject to a 1 1/2 mile minimum distance requirement.

Cities and towns also receive reimbursement for one-half of the expenses they incur in transporting those vocational education pupils whom the district tuitions out to such programs carried on in other cities and towns in schools at least 1 1/2 miles from their homes under Chapter 74, Section 8A. In addition, the state reimburses regional school districts for the full cost of transporting pupils who live at least 1 1/2 miles from the regional schools they attend under the provisions of Chapter 71, Section 16C.

The new school finance legislation also provides aid for transportation of transitional bilingual and special education program pupils who meet certain requirements. To be eligible, bilingual pupils must live at least 1 1/2 miles from the school; special education pupils

have no distance requirement but their educational plans must specifically require the transportation service being aided and the service must be of a type not normally provided to regular day pupils.

For both groups the reimbursement will be composed of two parts: first, an amount equal to 100% of the local average transportation services expenditures per pupil in a regular day program; and second, the entire amount by which the local average cost of transporting a bilingual or special needs pupil exceeds the local average cost of transporting a regular day program pupil (i.e., 100% of excess cost plus 100% of local average cost in regular day program). The reimbursement of the local average excess cost for transporting a bilingual or special needs pupil, however, may not exceed 110% of the statewide average of such excess costs per pupil for all districts.

The figure for the local average transportation services expenditure per pupil in regular day program which will be used in the above formula will be the local expenditure per pupil which is reimbursable under either Chapter 71, Section 7A (private contractor services), 7B (public carrier services), or 16C (regional school district transportation), whichever is highest. (Chapter 71A, SEction 8 and Chapter 71B, Section 14)

MASSACHUSETTS DEPARTMENT OF EDUCATION

LOCAL AID PROGRAMS DIRECTORY

Racial Imbalance - Chapter 76, Section 12A

Funding of current year's local expenses for projects approved by the Board of Education for voluntary porgrams to reduce racial imbalance. Pupils attending imbalanced schools in one community are transported to schools in other communities in the Boston and Springfield areas.

Contact: Larry Whitty
Department of Education
Bureau of Equal Education Opportunity
727-5880

Magnet Education - Chapter 71, Sections 37i and 37j

Funding of current year's local expenses for project approved by the Board of Education for voluntary programs to reduce racial imbalance. Magnet School projects are designed to draw pupils from racially isolated or imbalanced schools within a community or across school district boundaries.

Contact: Larry Whitty
Department of Education
Bureau of Equal Education Opportunity
727-5880

Equal Education Improvement - Chapter 15, Section Ii

Funding of current year's expenses for projects approved by the Board of Education for programs to improve the quality of instruction in communities transporting pupils to eliminate racial imbalance. Boston, New Bedford, and Springfield are currently eligible.

Contact: Larry Whitty
Department of Education
Bureau of Equal Education Opportunity
727-5880

Outside Vocational School Transportation - Chapter 74, Section 8A

Reimbursement of 50% of the prior year's cost of transporting pupils to occupational programs outside their school districts.

Contact: Thomas Collins
Department of Education
Bureau of Data Collection
727-8497

MASSACHUSETTS DEPARTMENT OF EDUCATION - LOCAL AID PROGRAMS DIRECTORY

## Tuition of Institutional School Children

Current funding of the educational costs of children who have been transferred from state hospital schools to local school departments. The amount of the grants will be determined by the Department of Education.

Contact: Gene Booth
Department of Education
Bureau of Institutional Schools
727-5530

## Transportation of Pupils - Chapter 71, Sections 7A, 16C, 37D

Reimbursement of prior year's expenses for pupil transportation.

Section 7A reimburses the cost incurred by cities and towns. Reimbursement is limited to the difference between the total cost and a local share of five dollars per public & private pupils in the town.

Section 16C reimburses 100% of the cost of Regional School transportation. In both Section 7A and Section 16C, costs eligible for reimbursement are limited to those incurred in transporting pupils living at least one and one-half miles from school.

Section 37D reimburses 100% of the cost of transporting pupils for the purpose of eliminating racial isolation or racial imbalance. No mileage limitation is imposed.

Contact: Thomas Collins (Sections 7A & 16C)
Department of Education
Bureau of Data Collection
727-8497
and
Larry Whitty (Section 37D)
Department of Education
Bureau of Equal Education Opportunity
727-5880

## School Transportation - Chapter 71, Section 7B

Reimbursement of part of the costs incurred for the transportation of pupils to and from school on public transportation. Aid is limited to the direct cost of transportation, the indirect cost of maintaining a public transportation service, or 20¢ a day per rider, whichever is less. Riders must live at least one and one-half miles from school for their transportation costs to be eligible for reimbursement. Payment is made in the year following local expenditure.

Contact: Thomas Collins
Department of Education
Bureau of Data Collection
727-8497

DEPARTMENT OF EDUCATION - LOCAL AID PROGRAMS DIRECTORY

School Building Assistance - Chapter 645 of the Acts of 1948 as amended

Reimbursement to cities, towns, and regional school districts for part of the cost of building construction and rehabilitation. For cities, towns, and partial regions, the grant will range from 50% to 65% of the total cost, depending on local wealth. For full regions, the grant will range from 60% to 75%, again depending on local wealth.

The total reimbursement will be paid in annual installments over the life of the construction bond, usually 20 years.

The formula used to determine the rate of reimbursement is:

$$\frac{\text{Equalized Valuation Per Net Average Member-State}}{\text{Equalized Valuation Per Net Average Member-Local}}$$

X .50 for cities, towns, & partial regions

or

X .60 for full regions

As noted above, the resulting product is subject to upper and lower limits. Only half of each project's interest costs will be eligible for reimbursement. In addition, each project must be approved by the Board of Education to be eligible for aid. Total funding for all projects is limited and cost and priority standards will be imposed.

Contact: John Calabro
Department of Education
Bureau of School Building Assistance
727-5780

Partial Assistance - School Lunch - Chapter 548 of the Acts of 1948

Reimbursement of part of the cost incurred in serving lunches to school-children. Aid is limited to 50% of the federal share of the cost of each lunch under the terms of the National School Lunch Act. Currently, actual reimbursement covers the first six cents of the cost of each lunch. Reimbursement is paid monthly following the submission of claims.

Contact: John Stalker
Department of Education
Bureau of Nutrition Education and
School Food Services
727-5764

Elderly Lunch - Chapter 1168 of the Acts of 1973

Reimbursement of part of the cost of elderly lunch programs. Aid is limited to the difference between the cost of each meal and the fee paid by the diners. Aid is paid monthly following the submission of claims.

Contact: John Stalker
Department of Education
Bureau of Nutrition Education and
School Food Services
727-5764

MASSACHUSETTS DEPARTMENT OF EDUCATION - LOCAL AID PROGRAMS DIRECTORY

## Regional School Aid - Chapter 71, Section 16D

Reimbursement of Regional school district expenditures for instruction, tuition and administration cost. Expenditures for transportation, community services, fixed assets, capital outlay and food for School Lunch programs are excluded. This program is a bonus and covers costs already aided by other programs.

The rate of reimbursement is determined by this formula:

$$1.00 - .65 \left( \frac{\text{Equalized Valuation Per School Attending Child-Local}}{\text{Equalized Valuation Per School Attending Child-State}} \right)$$

X .50 for partial regions

or

X .70 for full regions

The product must be at least 7.5% for partial regions and 10.5% for full regions.

Payment of entitlement is made in the second year following the year in which the expenditures occurred. If a region expands from partial to full status, the aid entitlement based on that year's expenditure will be paid in the following fiscal year.

Contact: Thomas Collins
Department of Education
Bureau of Data Collection
727-8497

## School Aid - Chapter 70

Aid for current educational costs in cities, towns, regional districts and county agricultural schools.

The inverse of the ratio of each district's local equalized valuation per person to the state wide equalized valuation per person will be calculated. This figure may range from 0% to 99% and will be reduced if the appropriation for this program is less than the amount required for full funding.

These local aid percentages will then be multiplied by the latest statewide expenditure per regular pupil. Each district will receive this amount for each of its regular pupils. Pupils in special, residential, bilingual or occupational programs will qualify the district for 4.0, 6.3, 1.4 or 2.0 times the regular grant. In addition, each district will receive an extra .2 times the regular grant for each disadvantaged pupil. No district will receive less than its 1978 local aid pryments under the old provisions of Chapter 7C, Chapter 71A, Chapter 71B, and Chapter 74.

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## Special Needs Recreation - Chapter 71B, Section 11

Reimbursement of half of the prior year's expenditures for approved recreation programs for school age children with special needs.

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## Tuition of State Wards - Chapter 76, Sections 7 and 9

Reimbursement of the prior year's educational costs for the education of children under the control of the Department of Public Welfare. The children must live in family foster homes or group care homes and attend public school in a district other than the district of their natural parents. The reimbursement will equal the full average expenditure per pupil in each eligible district.

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## Special Needs and Bilingual Transportation - Chapter 71A, Section 8, Chapter 71B, Sections 13 and 14

Reimbursement of prior year's expenses for the transportation of bilingual and special needs pupils to and from schools and for the transportation of children and adults to Department of Mental Health facilities.

The reimbursement of a district's bilingual and special needs per rider costs will equal the local cost for a regular rider plus the difference between that cost and the special or bilingual cost, provided, however, that this difference does not exceed 110% of the state average difference.

The costs of children transported to Department of Mental Health educational, habilitational or day care programs will be reimbursed at a rate of 50%. The costs for transporting adults to such programs will be fully reimbursed.

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